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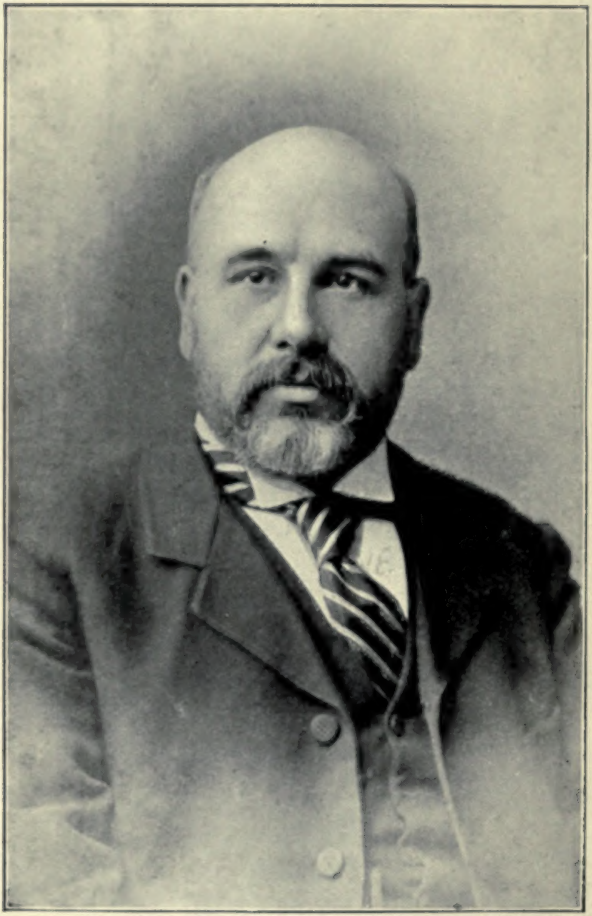
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THE CASE AGAINST RAILWAY NATIONALISATION


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Edwin A. Pratt.

THE CASE AGAINST RAILWAY NATIONALISATION

by

EDWIN A. PRATT



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The Case Against Railway Nationalisation

CHAPTER I

INTRODUCTORY

'THE nationalisation of the railways,' said a Socialist writer in *Justice*, in its issue of September 16, 1912, 'has been on the programme of our organisation since its inception nearly thirty years ago; but we have advocated it merely as a step towards the socialisation of all the means of distribution with those of production.'

Yet, while the subject has thus formed a prominent item on the Socialist programme for three decades, the actual position would not be rightly understood if railway nationalisation should be looked upon as exclusively a Socialist question.

To begin with, the fact that so many countries do already own and operate their own railways removes the fundamental principle of State ownership from the domain of

theory into that of actual existing conditions, and, though England is not faced by the need of creating a railway system *de novo*, we may quite reasonably be invited, even now, to consider, from the point of view of social and economic conditions and of national policy in general, whether or not it would be desirable and practicable for the State to acquire our now virtually complete system of railways as a going concern, and itself undertake the operation of them in place of the railway companies.

Down to a few years ago railway nationalisation was debated mainly from the point of view that, inasmuch as railways provide an indispensable and more or less monopolistic public service in the matter of transport, it would be preferable, as a matter of principle and policy, that they should be owned and operated by the State rather than by private enterprise. Apart from economists, politicians, and Socialists, little interest was at first taken by the British public in the discussion of this particular theory; but various recent developments or considerations have led to the question passing, at last, from the domain of academic problems into that of Questions of the Day. Among these newer factors are the following:—

1. The oft-repeated assertions that State railways abroad have been highly successful,

offer greater advantages to the public, and, especially in Prussia and Belgium, yield large net profits which are available for reductions of taxation or other public purposes.

2. The assumption, following on the recent railway strikes or threatened strikes, that State ownership and operation of the lines would both ensure better conditions for the workers and provide an effective guarantee against any further renewal of labour troubles.

3. A fear entertained by certain classes of traders that their interests are likely to suffer through fresh developments among the railway companies of their policy of agreements and amalgamations involving further decrease in their mutual competition.

4. An expectation that, under centralised ownership and management of the railways by the State, such advantages would be gained, and such economies effected, as would allow not only of better conditions for the workers but also of lower railway rates, cheaper fares, and improved services, while leaving also a substantial surplus which would be available for social reforms, for reductions of local taxation, or for general State purposes.

5. A belief, firmly entertained not only by professed advocates of railway nationalisation but by many others besides, that the acquiring of the railways by the State would

be a very simple matter, already fully provided for by Act of Parliament, and not likely to have any seriously disturbing influence on our national finance.

If all these various points could be established, then it might well be considered that the original theory and fundamental principle of railway nationalisation had, in its application to our own country, been brought within the range of practical politics.

What I here propose to show, therefore, is that the leading arguments which have thus been advanced in favour of the State acquisition and operation of our own railways are based either on fallacies or on misapprehension of the actual facts, and that resort to the nationalisation principle would involve such grave economic, political, and financial complications or disadvantages that the project must be regarded as injudicious, undesirable, and wholly impracticable.

CHAPTER II

EXAMPLE OF OTHER COUNTRIES

Much is made by the Railway Nationalisation Party of the extent to which State ownership of railways has been adopted in other countries, and we are left to infer, from what is said or written on this point, that England is altogether behindhand in the march of progress because she still keeps to the principle of company ownership and operation on which her railways were originally started.

Proportion of State-owned.—There is, however, in the first place, considerable misapprehension as to the relative proportions of State-owned and company-owned railways throughout the world, the actual position being very different from what the assertions of nationalisation advocates might lead people to suppose.

In an article I was privileged to contribute to *The Times* of October 1, 1912, I showed, by an analysis of certain tables published in the *Archiv für Eisenbahnwesen* in regard to the ownership of 'The World's Railways,' that the net result was as follows :—

	Miles.
Company-owned railways . . .	453,553
State-owned railways	186,068
Total	639,621
Percentage of Company-owned . .	70·9
Percentage of State-owned . . .	29·1
	100·0

The percentage of company-owned lines is, of course, materially increased by the figures for the United States (241,000 miles); but, even if these were omitted, the company-owned railways throughout the world would still be over 26,000 miles in excess of the total of State-owned lines. It is not, however, in the United States only, but throughout the entire American Continent, that company ownership is paramount, the net result in regard to nineteen countries in North and South America being—State-owned railways, 3·7; company-owned, 96·3. As against these figures we get the following for Australasia: State-owned railways, 93·6; company-owned, 6·4. Australasia and America are thus at opposite poles in respect to the question of State or company ownership of railways. In Europe there is a slight, but only a slight, excess in favour of State-owned over company-owned railways, the percentage of the former being 51·9 and that of the

latter 48·1. The 58 per cent. of State railways in Asia is chiefly made up by 6000 miles in Central Russia and the 24,000 miles in British India. In Africa, also, as might naturally be assumed, the State-owned lines are in excess of the company-owned.

Reasons for State Ownership.—If, in the next place, we look at the particular reasons which have led to State ownership of railways in countries where this principle has been adopted, it will be found in regard to them that in every instance where the State has built, or assisted to build, the railways, or has acquired company-owned railways with a view to their 'nationalisation,' such action has been taken as the result of political, financial, or economic conditions which were more or less peculiar to the country concerned, have no parallel in past or present conditions in the United Kingdom, and offer in no respect an example that we ourselves should necessarily follow.

A few typical instances might be offered to the reader in illustration of this altogether incontestable fact.

Germany.

At the outset the building of any railways at all in Prussia was strongly objected to by the authorities because of the 'liberal' tendencies a railway was supposed to represent. Until, also,

Prussia acquired a Constitution and a Parliament in 1848, the building of State railways could not be undertaken there. Down to that time the Government, when it had overcome its initial scruples, could do no more than encourage railway companies to undertake the work by giving them a guarantee of interest.

It was under these conditions that Prussia got her pioneer railways. There even came a time when companies keenly competed with one another for the privilege of constructing lines. Most of those built by them were, however, in the industrial districts of Westphalia and Rhineland, where the greatest traffic could be secured, while the eastern districts of Prussia, devoted mainly to agriculture, remained comparatively undeveloped.

To meet these conditions the Prussian Government undertook the construction of the Eastern Railway, which linked up the eastern frontier with the capital and also with the west of Prussia. Experience showed, however, that the State was working unremunerative lines in the east at a loss, while the companies were working successful lines in the west to the gain of private enterprise. It was regarded as especially desirable that the two branches of this 'mixed' system of railways should be combined, so that the

losses made in the one district could be balanced by the gains made in the other.

Following on the Franco-German War came other considerations. There was no suggestion that the railway companies had not provided efficiently for the movement of troops in 1870–1, but the position of the companies and the general operation of their lines had alike become so unsatisfactory by 1873 that a Parliamentary Commission which was appointed recommended, as the most practical solution of the various difficulties, that the State should acquire the private lines and operate them in conjunction with its own system.

Two years afterwards Prince Bismarck evolved his scheme for the creation of an Imperial system of railways, under which the lines of all the different States in Germany were to be acquired and operated as a single and uniform system for the whole Empire. The smaller States, however, concluded that if they agreed to any such scheme as this the political position of Prussia, as the predominant partner, would be still further strengthened, and their own independence as individual States—already prejudiced by the concessions they had made on the founding of the Empire—would be still further weakened. So they declined to adopt the proposal; they hastened to acquire the

railways in their own States lest Prussia might herself seek to control them, and the only outcome of Prince Bismarck's dream of an Imperial railway system for Germany is represented by 1300 miles of line in Alsace-Lorraine. Prussia was left to nationalise her own railways, as the lesser German States had done, or were doing; though about fourteen years ago the Grand Duchy of Hesse linked up her State lines (now about 775 miles in length) with the Prussian system, which thus became, and, strictly speaking, should be designated as, the 'Prussian-Hesse State Railway.'

Prince Bismarck had the greater reason for securing nationalisation of the company-owned railways in Prussia because there was the danger that the desire of the railway companies to carry traffic on a commercial basis, regardless of political considerations, might prejudice the Protective policy on which he had resolved.

State control of the railway lines also became an important factor in that expansion of German commercial and political interests in the Levant and elsewhere which has formed so prominent a phase of Prussian State policy. Thanks to such control, the Government have been able to foster German trade, more especially with Mediterranean and Eastern countries (as well as to meet the

competition of alternative routes) by the granting of through rates thereto, via Hamburg or Bremen, on a lower scale than is charged for the same commodities carried to Hamburg or Bremen for local consumption. The State railway thus serves a State purpose, and if the exporters get abnormally low rates which yield little or no actual margin of profit for the railway, there are always the home traders who can be left to make up the difference.

France.

In France a scheme for the construction and operation by the State of seven great trunk lines of railway was brought forward by the Government in 1838, but was rejected by the Chambers. Thereupon Mr (afterwards Sir) Edward Blount, an English banker settled in Paris, obtained the concession for a line from Paris to Rouen, one-third of the capital to be raised in England and one-third in France, while the remaining third was to be advanced by the French Government. The difficulty presented by the reluctance of French investors to put a sufficient amount of their own money into a new form of locomotion in which they had then but little confidence was thus overcome. Later on their confidence increased, and capital for further lines was more readily raised in France; but successive financial crises made it necessary that the Government

should come to the support of the railway companies, either by giving them a 'guarantee of interest' or by helping them in other ways. This course was more especially adopted in the case of certain branch lines which the companies, considering they would not be likely to pay, were reluctant to construct at their own risk, but which the Government desired to have built owing to the political pressure that was being brought to bear upon them by the constituencies concerned.

The beginnings of a State railway system in France came in 1878, when the Government acquired about 1600 miles of branch lines in south-western France which had become a hopeless failure, and proceeded to operate them on its own account—although under especially disadvantageous conditions in regard to location and prospects of traffic. Later purchases, under like conditions, added another 250 miles to what is called the 'old' State system; but a much more important development was brought about by the State purchase, in 1908, of the 3700 miles of line comprised in the system of the Western of France Company.

The concession which had been granted to this Company would have expired in 1956, when the lines would automatically have passed over to the State, subject to payment for rolling stock, less the amount of

the Company's indebtedness to the Government on account of interest guarantee. The chief reason given for anticipating this eventuality by immediate purchase was, in effect, that the company would not be able to meet the heavy obligation it had incurred towards the Government in respect to interest, and that the Government would be well advised to take over the lines at once. As against this reason, however, M. Yves Guyot, ex-Minister of Public Works in France, and one of the leading authorities in that country on economic questions, declared in a paper he read at the meeting of the British Association in Dundee, in 1912, that the redemption of the Western of France line was 'merely a political act, intended to satisfy the Socialists.'

Belgium.

If we turn next to Belgium, we again find conditions peculiar to that country and altogether different from our own.

The Revolution of 1830, which made Belgium independent of Holland, brought an economic disadvantage to Antwerp by diverting from her port much of the Rhine traffic which had previously passed through it; and Leopold I., King of the Belgians, urged that, as a means of meeting this position, main lines of railway should be built across Belgium, linking up the Rhine with the sea, and allowing of international traffic still being handled by

Belgium. The Belgian people were then too poor to raise the money which would allow of the work being taken in hand by private enterprise, and the King proposed that the State itself should construct the lines. This was agreed to, and between 1834 and 1840 the State provided about 200 miles of railway.

The outlook for railways in Belgium was, however, regarded as so unpromising, owing to the keenness of the water competition, that the Chambers refused their assent to a proposal that some further lines should be built by the State; though they agreed to give concessions to certain companies, mainly English, which were willing to take the risk on themselves. These companies showed considerable activity in railway construction, and, although some of the concessions thus granted were repurchased by the State, the relative positions in 1870 were that, whereas the length of the State lines was still only about 560 miles, the private companies had over 1400 miles of line. Despite, also, the fact that the State had a monopoly of the best routes, the companies had by far the better management, while by means of agreements and consolidations, and in other ways, they had worked up a very keen competition with the State lines even in respect to through traffic. These conditions led, in turn, to

'rate wars' in which the State Railway Administration became especially active in seeking to retain or to capture traffic by conceding special terms to individual traders, or by making preferential contracts of a kind that would never be tolerated under the company system here.

By 1870 it had become evident that the only hope for the State lines lay in the absorption by the Government of the lines of their chief competitors—with the further advantage that the State system would thus become more unified, and be capable of better operation. Still other considerations which presented themselves were the immediate prospect of one company's lines being acquired by French interests and the possibility of others passing into the hands of German financiers, with the danger, in either case, of political complications.

So, in 1870, Belgium entered definitely on a scheme of railway nationalisation, the final outcome of which is that the State now owns and operates 2684 miles of railway, while the length of line still owned and worked by companies does not exceed 240 miles.

Holland.

In Holland the idea of building railways to compete with the waterways that spread like a complete network throughout the country was at first so unpromising that when a scheme for the

construction of such railways by the State was proposed, in 1886, by William I. of Holland, the States-General refused to entertain it, and the earliest lines were provided by private enterprise. Subsequently the State built a series of lines on its own account, included therein being a number which the companies had not cared to undertake. To-day the proportions of State-owned and company-owned lines in Holland are approximately equal, the length of the former being 1107 miles and that of the latter 992 miles. From the outset, however, the State has entrusted the operation of its own lines to a private company, and this arrangement has been so satisfactory that in 1908 the Second Chamber of the States-General rejected a motion for the nationalisation and operation of the whole of the railways by the State.

Denmark.

In Denmark, again, it was originally intended by the State to leave railway construction in the hands of private companies, and so long as it was a matter of providing lines where they were likely to be remunerative the companies were ready enough to build them; though they were disinclined to run the risk when the prospects were not hopeful. Even as it was, some of them drifted into financial difficulties, owing to the absence in Denmark of that through 'international' traffic which is so

material a help to the lines in Germany, France, Belgium, and Holland. Hence the State had first to build various lines which private enterprise would not undertake; then it had to render assistance to companies in want of help; and, finally, it decided, as the most practical way of meeting an awkward situation, to buy up the private lines, add them to the State lines, and proceed to construct some new ones that were wanted. In this way the country was provided with a uniform and adequate railway system.

Switzerland.

Railway building was originally left in the hands of private companies in Switzerland because the separate Cantons, which had a jealous regard for their own independence, were unable to provide each a separate State system for itself, while the newly-formed Federal Government was not sufficiently strong to undertake the work for the entire country, especially in view of the exceptionally heavy cost of construction. Difficulties arose, however, in regard to questions of control of the companies, and, alike for these and for political reasons, the Federal Government afterwards sought to get possession of the lines.

Their first attempt to secure the sanction of the Swiss people to the purchase of the Central Railway was a failure; but subsequently, as told by Professor Gustav Cohn in

the *Economic Journal* for December, 1909, the Government obtained their end 'by invoking the popular hatred of capitalism and the foreigner.' The movement against the latter was based on the fact that a large number of shares in the Swiss railways were held in other countries. Further reasons given for the carrying out of the purchase scheme of 1897 were that the 'less costly' management to be brought about by unification and State operation would allow of higher wages for the staff and lower rates and fares for traders and travellers. In the result, however, State management in Switzerland has proved to be the reverse of 'less costly.'

Italy.

The earliest railways in Italy were constructed partly by the different States and partly by private enterprise; though in the latter case with such a degree of State assistance, in the form of guarantee of interest or otherwise, that the railways may be regarded as having been built mainly with public money.

It is, however, extremely doubtful if Italy would have obtained any railway system at all that would have been worthy of the name if she had relied entirely on private enterprise. Railway construction in that country had been especially costly on account of the mountains to be tunnelled and the streams to be crossed, while down to the formation of

the Italian Kingdom, in 1860, the different States built their railways to serve exclusively local purposes, in order that each State could maintain its exclusiveness as against the others. The lines went, in fact, between east and west rather than between north and south, and, until the various systems had been reconstructed and linked up with one another, there was no chance at all of their obtaining through traffic. Even then the amount available remained comparatively small until the industrial interests of Italy had undergone a greater expansion.

Another serious disadvantage for the Italian railways has always been the activity of the sea competition, owing to the numerous ports around the Italian coasts from which merchandise can be despatched by coasting or ocean-going vessels instead of being sent by rail.

Not only therefore were the costs of con struction of the Italian railways exceptionally heavy, but the earning powers of the lines were for a long time exceptionally low; and this combination of conditions was especially unfavourable in a country of limited financial resources.

On the setting up of the Italian Kingdom, the question as to whether or not the new Government should work the railways on its own account was seriously considered,

and in 1865 a decision was arrived at averse to State operation. The Government lines in Italy and Sicily were sold to four companies created for the purpose of taking them over, and the Government gained an immediate and especially opportune advantage in the form of a substantial sum paid to them as purchase money. But one of the four companies failed within three years, and the Government had to take over its lines; a second became so embarrassed in its finances that the Government added its lines to those of the third company; and the system—thus enlarged—of the third company was, in turn, taken over by the Government in 1878, for political reasons, only one company, the Southern, being thus left.

Once more, therefore, the State had to solve the problem as to the basis on which the lines should be operated. It referred the matter to a Commission which held an exhaustive inquiry into the experiences of other countries and, at the end of three years, presented a report strongly recommending that the State should not operate the railways itself, but lease them for a term of years to private companies.

This course was adopted. Three new companies were formed to take over alike the State lines and certain of the private lines, including those of the Southern Company,

to which the State still paid subsidies. The concessions came into operation in 1885. They were for a period of twenty years, to be extended to forty years if so desired.

Various circumstances led to the collapse of these arrangements at the end of the first of these periods, that is to say, in 1905. Trade and traffic had not expanded to the extent the companies had been led to expect; the Government, yielding to pressure from traders and politicians in the matter of railway rates, had undertaken to pay the difference between what the traders desired and what the companies required, the commercial management of the lines being thus interfered with; while a leaning shown by the Government towards the wages staff in some disputes that arose had greatly tended to undermine discipline.

The labour question was, indeed, a leading factor in the decision arrived at by the Government in 1905 to revert to State operation of the State lines and to add to them, by purchase, the lines of the Southern Company. Referring, under date February 22, 1905, to the official summary of a Bill introduced by Signor Tedesco for the State management of the Italian railways, the Rome correspondent of *The Times* said the Bill promised greater efficiency without offering any guarantee of its attainment, and he continued :—

Where Signor Tedesco's proposals become more explicit is in the matter of railway employment. Indeed, the greater part of this summary is devoted to the future treatment of railway servants, and it is difficult to escape the conviction that the Minister has been far more concerned to meet the demands of the railway agitators and obviate the dangers of the threatened railway strike than to present a scheme of railway management which will convince the country.

Nationalisation was duly carried, the Government undertook the operation of the railways from July 1, 1905, and a prolonged condition of chaos followed.

The reasons for that chaos were, however, sufficiently obvious. Successive Governments had refrained from, or had declined to sanction, the expenditure of sufficient money to maintain efficiently lines that really belonged to the State, and companies which had taken over concessions of uncertain duration had also refrained, in their own interest, and especially towards the end of such concessions, from carrying out any improvements, or making any additions to rolling stock, which could possibly be avoided. Coupled with these conditions, which gave rise to mutual recriminations between the companies and the Government and their respective supporters, there was declared to be 'a very general incompetence and a complete want of discipline among the railway servants,'

owing to the Government's 'untimely interference' between the companies and their employees.

There have been suggestions that the Italian Government was forced to take over and operate the lines because of the 'failure' of private enterprise. Where private enterprise really failed in Italy was in not constructing all the lines itself, instead of leaving the State to build so large a proportion of them, either on its own account or indirectly, through subsidies. The companies did not really own the railways in the sense in which our own railways are owned by companies; they simply had concessions to work them for a stated period, with every encouragement, under the vacillating policy of the Government, to make what profit they could for themselves before the concessions were to expire. No general reflection, therefore, can be cast on the principle of private enterprise in railway construction and operation —and more especially so from the point of view of its application to the United Kingdom—because of what has happened in Italy.

Mexico.

Mexico has been adduced as a further example of present-day tendencies in the direction of railway nationalisation. In 1906 the Mexican Government acquired the majority of the

shares in her company-owned railways, and thus obtained the actual control over them.

This course was adopted, however, only as a means of checkmating certain financiers in the United States, who aimed at buying up the lines and holding Mexico more or less at their mercy; and while the Mexican Government now have the majority voice, they do not actively interfere with the management of the lines.

Japan is still another country which has recently resorted to nationalisation of her railways, a scheme directed to the attainment of this object having been adopted in 1906.

Japan.

Different reasons were given for the resort to this policy. On the one hand, it was affirmed that the Japanese Government aimed at strategical rather than at economic advantages, and that the military power of the country was mainly responsible for the project. On the other hand, it was declared that economic considerations were the predominating factor. Certain it is that the railway situation in Japan was in itself a complicated one, and called for unification in some shape or form.

Japan began the creation of her railway system by declaring in favour of private

enterprise, but subsequently the Government resolved on building State lines as well, and from 1887 Government lines and private lines were extended side by side. In 1905 the State owned and operated 1462 miles of railway, and 88 companies owned and operated 8268 miles. Even the main lines were owned partly by the Government and partly by companies. As the result of this 'mixed' system, there was a lack of uniformity in handling the traffic, and delays and difficulties frequently occurred, more especially in the case of traffic carried for comparatively long distances. These conditions alone, apart from any question of military policy, were regarded as justifying the scheme under which the State was eventually to acquire the railways of 32 companies (some of which owned only about 25 or 30 miles of line each), and add them to the State system.

Austria-Hungary.

In Austria-Hungary the State-owned lines constitute 80 per cent. of the total; but here again this high percentage has been due to exceptional conditions.

Private enterprise pioneered railway building in Austria from 1832 to 1842. The Government then began to build railways, and in 1850 it controlled 61 per cent. of the total mileage. The Revolution of 1848 and the

troubles with Hungary so depleted the State Treasury, however, that the Government decided to dispose of the existing State lines to companies, and to follow the example of France in leaving any further construction to companies, which were to be encouraged thereto by State assistance. The State lines were, in effect, sold at 'bargain' prices which represented, in some instances, only 50 per cent. of their actual cost, and the companies, in addition to having liberal rights and privileges conferred on them, had up to ninety years' guarantee of their interest. So thoroughly was this policy followed that between 1860 and 1870 the State railway system of Austria had a total length of only eight miles, representing, for the last-mentioned year, a percentage of 0·21 of the whole, in place of the 61 per cent. in 1850.

The railway companies had some very discouraging experiences in operating the lines. The industrial interests of Austria at this particular period were undergoing but very slow expansion, the amount of traffic available was limited in volume, and for that which was available the river Danube, serving so large an expanse of the country, was a formidable competitor with the railways. These and various other considerations, partly political and partly economic, led the

Government to revert, in 1878, to its former policy of State ownership and operation. The construction of more lines was then undertaken, and railways in the hands of private companies were acquired from them, with the result that in 1906 the State owned and operated 68 per cent. of the Austrian lines—a proportion since increased by further acquisitions.

Hungary also started with a system of private railways receiving State aid in the form of guarantees of interest; but the payment of these subsidies became such a drain on the national Treasury that, in combination with other no less material considerations, it was thought preferable that the Government should itself own and operate the railways. To-day State ownership of railways prevails to an even greater extent in Hungary than in Austria.

Without going further into specific examples, it may safely be affirmed that in no single instance throughout the world has State construction and operation of railways been deliberately adopted, from the outset, and apart altogether from financial and other difficulties or considerations, as being fundamentally superior, both in principle and practice, to private enterprise when—as was so often not the case—the latter was equal to all requirements.

Conditions at Home.

In the United Kingdom private enterprise *has*, from the very outset, been equal to all requirements in the provision of railways which are not to be equalled from the point of view of comparative extent, of equipment and efficiency, and of national requirements.

The financial reasons that powerfully influenced either the original construction of railways or the subsequent taking over of them by the State in foreign countries have here been non-existent. Nor have the political, social, or economic reasons which may also have influenced the railway policy of foreign countries created any difficulty here either in regard to the retention of the railways in the hands of the companies or to the actual need for their transfer to the State to meet some particular development of national conditions or national policy.

Thus for ourselves no precedent is to be found in the example of those countries which for one or other of the reasons detailed may have adopted a more or less complete system of railway nationalisation; and we are under no imputation of lack of wisdom if we refrain from adopting a like course under our wholly different conditions.

The really material consideration is whether, apart altogether from the motive, or the

national necessity, inspiring railway nationalisation abroad, the results of State policy and of State operation there have been so far superior to private enterprise and company operation as to call for, or to warrant, our resorting to nationalisation, in the interests of the nation, of our existing and practically complete railway system, even when the special causes otherwise influencing foreign countries are non-existent.

CHAPTER III

THE PRUSSIAN STATE RAILWAYS

THE Prussian State railways are deservedly pointed to as the most successful example of Government operation of railways in the world, and the argument has repeatedly been advanced that, because Prussia has succeeded so well,—especially from the point of view of financial results,—therefore we ourselves ought to have a chance of securing an equal degree of success if we were to follow her example and nationalise our own railways.

Apart from the reasons that led Prussia, as told in the previous chapter, to acquire the lines owned by private companies and add them to her own already existing State system, there are various considerations in regard to the railways themselves which should be borne in mind.

I. The Prussian lines have cost considerably less to build than our own. Land cost less; Parliamentary and other initial expenses were on a materially lower scale; and construction was less expensive because the flat surfaces of which so large a part of North Germany consists rendered unnecessary the

heavy outlay on tunnels, viaducts, embankments, and cuttings which had so often to be incurred here. Then, in former days at least, the permanent way was laid with greater regard for economy, and level crossings were thought sufficient where, in this country, it would have been obligatory on an English railway company to provide bridges, regardless of any consideration of cost; though of late years the Prussian Government have certainly incurred great expenditure both on improvement of the track and in substituting bridges or viaducts for the level crossings now being gradually abolished. Country or even urban railway stations, also, have generally cost less on the Prussian railways than has been the case with stations in the United Kingdom, the non-provision of platforms, subways, and over-bridges making a difference of many millions as compared with the capital expenditure on our own railway stations. Once more it is true that better stations are now being provided on the Prussian lines, that platforms are being generally introduced, and that in the largest stations subways are now provided, so that passengers no longer have to cross the lines in going from one side to the other. The fact should be mentioned, however, that many of the stations have been improved or rebuilt with the assistance of municipalities willing

to contribute generously to the provision of stations of palatial appearance and size as a means of adding to the attractiveness of their cities, and with the view of encouraging people to come there and spend money which would recoup the cities for the outlay. In England the practice is, rather, for the local authorities to urge upon a railway company to enlarge its station—at the company's own expense—and then to regard the improvement as an adequate reason for raising the assessment of the station buildings for the purposes of local taxation. It may further be admitted that in Prussia it is only the very small outlying stations which to-day are not provided with a well-equipped and really comfortable restaurant.

II. Although the Prussian Government acquired the privately-owned railways on what were, at the time, considered very generous terms, in view of the condition of the lines at that period and the financial position of the companies, the fact should be borne in mind that the purchase of the various lines—acquired separately—extended over a considerable period, and that the sum total of the State payments on this account between 1872 and 1904 amounted to only £219,000,000. In this country the acquiring by the State of all the railways would probably be done concurrently, while the cost of taking them

over to-day would be at least six times the amount paid for the Prussian private lines.

III. The earning power of the Prussian railways has been greater (1) because they get a longer average haul (the average for the whole of Germany is over seventy miles, against one estimated at about thirty miles in Great Britain); (2) because they move goods to a greater extent in truck-load lots; and (3) because the cost of haulage is less in a flat country than where allowance has to be made for heavy gradients.

IV. The Prussian railways, in addition to the considerable volume of domestic traffic, have the advantage of carrying great quantities of international or transit traffic *en route* to or from other countries (Austria-Hungary, Russia, Italy, Switzerland, etc.), the existence of this transit trade being a most important factor in the operation of Prussian railways in competition, more especially, with the communications via Holland, Belgium, France, and Mediterranean ports.

V. Prussia is famed both for her powers of scientific organisation and for the administrative skill of her Government officials, while, under the conditions of her political system, it has been possible for her State Railway Administration to operate the system with a greater freedom from Parliamentary or other political influences than is the case in

countries having a more democratic form of Government.

These and other factors have combined to confer exceptional advantages on Prussia in regard to the acquiring and the operation of her State railways. It does not necessarily follow, however, that equal success would attend the adoption in other countries of the Prussian system unless the conditions facilitating, if not actually leading to, that success could also be reproduced.

QUESTION OF 'PROFITS.'—While her State railways have, under the said conditions, certainly played a most important part in Prussia's great industrial and commercial expansion of recent years, the actual position in regard to financial results is substantially different from the view generally entertained in this country.

A writer in the *Quarterly Review* for October, 1909, says, concerning the Prussian State railways, that 'in 1890 a surplus of over £4,000,000 was obtained, and from that year onwards the net profits increased rapidly until 1907, when the sum of approximately £30,000,000 was *available for the general purposes of the State*.' One advocate of railway nationalisation has declared that Germany (*sic*) makes on her railways a profit of £20,000,000, which amount she applies to 'the reduction of rates and local taxation';

another has said that 'the State railways of Germany contribute millions of pounds annually to the reduction of taxation'; a writer in *Justice* for October 14, 1911, asserted that in the previous year 'the Prussian State railways paid £60,000,000 into the State Treasury for effecting social improvements'; while a journal with such presumably impartial views on the general question as the *Athenæum* said in its issue of September 7, 1912, in reviewing my book on the State Railways of Australia, that though I had referred therein to the State railways of Germany (*sic*), I had still not accounted for 'the £80,000,000 profit they make every year.'

By 'Germany,' of course, in these various statements, is meant Prussia, since, as will be shown later on, entirely different conditions apply to the finances of the railways in the smaller German States, apart from Prussia.

After allowing for occasional variations between such sums as £20,000,000 and £60,000,000, the fact remains that the assumption that Prussia (not 'Germany') makes out of her State railways a clear net profit of £80,000,000 a year, or equal to 7 per cent. of their capital expenditure, which 'profit' is available for general State purposes, has become an accepted article of faith, not only with railway nationalisation advocates, but

with the British public in general. Such article of faith is, however, a fallacy, and one that is readily disposed of by a reference to the official returns of the Prussian-Hesse State railway system.

The 'profit' here in question is the sum that represents the excess of the annual revenue of the State railways over the annual working expenses *plus* various amounts allocated from revenue for maintenance or renewal of permanent way and rolling stock and for cost of various works and supplies. This balance is shown by the last available official report to have been as follows in the years stated:—

Year.	Balance on Year's Operation. £	Percentage to Capital Outlay.
1895	22,860,000	6·57
1896	24,520,000	6·96
1897	25,825,000	6·94
1898	25,975,000	6·85
1899	27,225,000	7·03
1900	27,140,000	6·87
1901	24,665,000	6·11
1902	25,720,000	6·22
1903	29,085,000	6·77
1904	29,995,000	6·80
1905	32,275,000	7·13
1906	33,005,000	7·07
1907	29,620,000	6·10
1908	24,240,000	4·78
1909	31,465,000	5·94
1910	35,535,000	6·48

It will be seen that the balance on a year's operation did not amount to £30,000,000 until 1905, and that in two of the five years between that date and 1910 it fell below £30,000,000, though the £35,000,000 realised in 1910 allowed of an average of £31,000,000 being shown for the six years from 1905 to 1910 inclusive.

From such balances, however, substantial payments have to be made on account of interest on capital expenditure, sinking fund, and other standing charges.

Taking the Prussian lines only, as distinct from those of Hesse, one finds that the capital outlay upon them down to 1910 had been £589,960,000. The relation that the Prussian Railway Debt bears to the Prussian State Debt is shown by the following table :—

Year.	Percentage of Railway Debt to State Debt.
1890	94·04
1895	90·07
1900	87·72
1905	82·38
1906	79·45
1907	78·38
1908	77·86
1909	75·76
1910	76·40

Deducting from the balances of gross receipts over working expenses the amounts

necessary to meet the standing charges in respect to interest, sinking fund, etc., one further learns from the official report that the surpluses available for general State purposes ('Bleiben zur Verwendung für andere Staatszwecke') were as under for the years stated :—

Year.	Net Available Balance.	Percentage to Capital Cost.
	£	
1895	5,610,000	1·60
1896	5,360,000	1·51
1897	6,310,000	1·73
1898	6,090,000	1·64
1899	6,880,000	1·82
1900	7,325,000	1·89
1901	7,465,000	1·88
1902	7,770,000	1·92
1903	9,105,000	2·16
1904	9,875,000	2·29
1905	10,570,000	2·38
1906	8,390,000	1·83
1907	8,190,000	1·71
1908	4,960,000	·99
1909	9,175,000	1·75
1910	10,515,000	1·95
Average .	7,724,375	1·82

In considering the question as to the actual amount of the 'profit' made, much of course depends on the exact interpretation to be given to that word.

On the one hand it is contended by Prussian State railway authorities that the excess of gross receipts over expenditure (equal, as we

have seen, to percentages of from 5 to 7 per cent. on capital cost) is as much 'profit' as the corresponding balances of British railway or other industrial companies out of which interest on bonds or loans and dividends on shares are paid.

The opposite view is well expressed by a writer in the *Financial Times* of January 24, 1912, who, after alluding to the aforesaid popular belief that the Prussian railways earn a 'profit' of over £30,000,000 a year, or 7 per cent. on the capital expenditure, says :—

> This estimate is based on the common mistake of advocates of nationalisation that the surplus of actual receipts over actual expenditure represents a net profit. The State, like any other investor, has to pay interest either on the loans raised to pay for the acquisition of the railways or on the Government stock or bonds issued to shareholders in exchange for their holdings, and the actual net profit is, therefore, not arrived at until these fixed charges are deducted from the working surplus.

I have also been favoured with the views of a leading authority in Germany on economic questions, who writes to me in regard more especially to the South German lines, to which I shall refer later :—

> In Germany we regard 3½ per cent. as the recognised rate of interest. Only that which is left after the payment of such rate of interest comes into consideration for sinking fund and net profit (*Reingewinn*).

It might further be suggested that a State railway differs from a railway company's system in so far as the 'capital' with which the former was bought (or constructed) is practically equivalent to loans or debenture stock on which interest must necessarily be paid out of earnings unless the railway is to become a charge on the national revenue; whereas in the case of a railway company the ordinary shareholder, at least, gets no return on his investment until the debenture-holders have received their allotted rate of interest.

There is thus a broad distinction between a State undertaking, based on interest-bearing loans or their equivalent, and a commercial company working mainly with share capital which is wholly dependent on profits for any return in the form of dividends. Equally clear is it that a State railway surplus out of which fixed charges are still to be met cannot be regarded as equivalent to the amount distributed by a commercial company in dividends after payment of standing charges. The one is a 'working surplus,' but it does not necessarily constitute the net profit which may fairly be claimed for the other. The real analogy would seem to be, rather, between the net balance which a State railway can allocate for the general purposes of the State and the corresponding

balance which a railway company can allocate for the general purposes of its shareholders.

Whichever of these opposite views as to the right interpretation of the term 'net profit' the reader may be disposed to take, the general assumption by railway nationalisation advocates here that the Prussian State railways are able to hand over to the Government every year a balance of £30,000,000, equal to 7 per cent., 'for the general purposes of the State,' and more especially for 'the reduction of rates and local taxation,' is shown by the figures given to be a fallacy. All that can be claimed in this particular respect, at least, is an average of £7,700,000 a year, and an average percentage of 1·82 on capital outlay.

Allocation of Surplus.—As regards the allocation of the net surplus available for 'general State purposes,' after payment of standing charges, it is no less a fallacy to assume that it is really applied to reduction of taxation.

How the money is distributed is told by no less eminent an authority on German economic questions than Professor Gustav Cohn, who, in an article published in *The Economic Journal* for December, 1907, says concerning the profits derived from the Prussian State railways :—

The money has been expended on improved equipment for elementary education, on the universities, museums, and public buildings; it has been utilised in the interests of science and art, or for raising the salaries of the numerous officials in the service of the State.

The same authority further says :—

It is true that this expenditure would not have been incurred if the only means of meeting it had been an increase in taxation.

RATES AND TAXES.—Another most material consideration is the difference in the amounts paid by the railway companies of the United Kingdom and by the Prussian State railways respectively in regard to taxation.

British and Irish railway companies paid in 1911 under the head of 'Rates and Taxes' a total of no less than £5,079,000. This was an increase over 1894 of £2,263,000, while the aggregate amount they paid in the eighteen years from 1894 to 1911 inclusive was £75,000,000. These rates and taxes, also, are independent of payments in respect to Government passenger duty, on which account the lines in Great Britain, as distinct from those in Ireland, where the duty is not levied, paid £317,336 in 1911, increasing the sum total of the railway contribution to local and Imperial taxation in that year to £5,396,000.

Turning now to the Prussian State railways, I find that the payments made by them in 1911 on account of rates, taxes, and Government dues were as follows :—

Local rates and taxes (district and municipal) and Income Tax . . .	£1,004,000
Land Tax and House Property Tax .	142,000
Government dues (including those paid in non-Prussian States) . . .	10,000
Other taxes and dues	58,000
Total . . .	£1,214,000

Taking the mileage of the two systems, and working out the amount paid by each for rates, taxes, and Government duty per mile of route, we get the following figures :—

System.	Mileage Open.	Total Taxation Paid.	Per Mile.
United Kingdom	23,417	£5,396,000	£230
Prussian State Railway .	23,284	1,214,000	52

The reader will see, on reverting to the table on p. 44, that if the Prussian State railways were taxed on the same basis as those of the United Kingdom, and had paid £5,000,000 in 1911 for taxation, instead of £1,000,000, the net balance then available for general State purposes, after allowing for

standing charges, would have been reduced from £10,000,000 to £6,000,000, while in 1908 the net balance would have been wiped out entirely.

It may be further assumed that the amount which the Prussian State railways save on taxation, as compared with our own, has to be made good by the Prussian taxpayers, who must, therefore, put against any savings on their own part in respect to lower rates on the State railways the higher standard of local rates and taxes they are thus called upon to pay.

In the same way, whether the particular allocation of the net available balance from the Prussian State lines does actually lead to any relief of taxation—though this view hardly seems to be confirmed by Professor Cohn's statement, quoted on p. 48—it is clear that any possible gain in one direction by the Prussian trader or taxpayer is proportionately diminished by this passing on to him of the obligations in regard to rates and taxes which the State railways do not provide for out of their own revenue.

If, again, the railways of the United Kingdom were taxed only on the basis applied to the Prussian State railway system, then they would save £4,000,000 a year in working expenses, which amount they could devote to reductions in rates and fares, to increases

in wages, or to the payment of higher dividends. The whole railway position here would then be greatly improved; but, conversely, £4,000,000 of the £5,000,000 which our own railways do themselves actually contribute, under existing conditions, 'in relief of taxation,' would have to be made good by the ratepayers and taxpayers in general.

Other German States.

Mention has already been made of the error into which railway nationalisation advocates and others in this country so commonly fall in attributing to 'the State railways of Germany,' as a whole, the financial results of the Prussian State railway system. Not only are the State systems of Bavaria, Saxony, Würtemberg, and Baden owned and operated distinct both from the Prussian system and from one another, but their own financial results are such that in the years 1907–9 the balance of their gross revenue over working expenses (without allowing anything for standing charges) was less than half the corresponding return made by Prussia. Baden and Bavaria just about realise the 3½ per cent. which, as told on p. 45, is usually allowed in Germany for interest on capital expenditure. Their balances over working expenses in 1907–9 were—Baden, 3·53 per cent. of capital outlay, and Bavaria 3·95 per cent. Würtemberg does not even raise sufficient from her

State railways to pay the 3½ per cent. interest, her balance of revenue over working expenses in 1907–9, for example, being equal only to 3 per cent. of her capital expenditure.

It is, however, only fair to these South German State railways to bear in mind that they are less favourably circumstanced than the Prussian system. While the mileage of the Prussian system in 1910 was 23,283, that of Bavaria was 5056; Saxony, 1958; Würtemberg, 1322; and Baden, 1389. Then the cost of construction has been much greater among the surface irregularities of South Germany than on the level plains of North Germany, the density of traffic is less, while a variety of small systems have naturally not had the same possibilities of effecting economies as a large one such as that of Prussia.

The final outcome of these conditions was alluded to by Herr Hermann Schumacher, Professor of Economics at the University of Bonn, in the paper on 'The Nationalisation of Railways in Prussia: Its Causes and Sequels,' contributed by him to the Royal Economic Society's Congress in London in January, 1912. Dealing with the position of these South German lines he said :—

> To-day they are face to face with the unpleasant alternative of either joining the great Prussian railway system, and partly abandoning their independence, or of continuing to pay for their

independence by working at a loss. This problem of further unification of German railways is thus brought to the front, not in the interest of German railway traffic, but in the interests of South German railway finance.

'PROFITS' AND ECONOMIES.—A further consideration which especially concerns the German trader is that a Government desirous of providing out of the railway profits for social, educational, or other advantages, in respect to which it is unwilling to impose special taxation, may be quite as eager to make those profits as would be a railway company influenced by its aspiration for dividends. The allocation of the profits would, of course, be different in the two cases, but the effect on the railway users who pay the rates, fares, and charges out of which the profits are made would be the same.

When the Prussian Government originally carried their proposal for the acquisition of the company-owned lines, it was widely assumed that the State was making 'a bad bargain,' that there could be no suggestion of profit, and that, if profit were made, it would be applied to reductions of railway rates, the scruples of traders who might otherwise have demurred to so substantial an increase in the liabilities of the State being overcome

by this last-mentioned consideration. When, however, the Government found that the State railways were likely to be an important source of revenue, the obtaining of available surpluses, after payment of standing charges, became a more important consideration to them than a lowering of the domestic railway rates. So early, in fact, as 1882, the Prussian Minister of Public Works (head of the State Railway Administration) had to protest that 'the State railways were no milch cow, no financial resource of the State.'

Allegations have, also, been freely made from time to time that an undue economy has been practised on the Prussian State railways in regard to widenings, improvements, and additions to rolling stock which the rapidly-growing needs of German commerce and industry rendered especially necessary. It certainly is the case that great inconvenience and loss have been sustained by traders and industrial workers in Prussia through the almost periodical congestions of traffic on the State lines unable—more especially on account of truck shortage—to meet all demands. These adverse conditions, occurring year after year for a prolonged period, were especially prevalent in the autumn and winter of 1912, *The Times* of November 20, 1912, reporting that:—

At a recent meeting of the Associated Chambers of Commerce of the Lower Rhine and Westphalian district a petition was drawn up to be forwarded to the Prussian House of Deputies. This states that for many years past during each period of great commercial activity the interests of employers and work-people have suffered exceedingly through a shortage of rolling stock, showing that the development of the railways has not kept pace with that of the community at large; and also that the recent closing of the district on the left bank of the Rhine to the acceptance of goods traffic proves that the managers of that district have failed in their duty to keep their stations and equipment in a condition required both by Government and by traders. With regard to this, and the certainty of still heavier demands being made in this district in the near future for an increased capacity for goods carrying, several measures are absolutely necessary:—New lines should be built; goods stations should be rebuilt, with better facilities for loading and unloading wagons; there should be a large and regular increase in the number of locomotives and wagons ordered; wagons of more than 20-ton capacity should be introduced; and an increase should be made in the staff of this district administration.

This pronouncement, coming as it does from a body of experts thoroughly understanding industrial conditions, in a country where State enterprise is admitted to be carried on at its best, is an exceedingly weighty one.

By the end of January, 1918, the traffic conditions had become normal again, while it was announced that the Minister of Railways had, with a view to avoiding a repetition of all these troubles, drawn up an extensive

programme of traffic improvements, included therein being the provision of new lines, the widening of existing lines, and the provision of an additional 19,435 wagons within the next six months. It was also expected that a similar lot would be ordered for delivery during the latter half of the year. Supplementary estimates—in addition to the sum voted under the Budget for 1913—were brought in providing for the expenditure of £3,045,000 on the carrying out of this programme, and subsequently it was announced that the greater part of a sum of £20,000,000 to be raised by the Prussian Government was wanted for railway developments.

Full credit must be given to the Prussian authorities for the vigour of their efforts to remedy the conditions which had arisen and to make provision for the future; but the fact that so substantial an expenditure is now considered necessary undoubtedly strengthens the idea that extensions, improvements, and equipment have not really kept pace with the actual or prospective needs of the situation.

While it might be going too far to say, as some critics of the Prussian State railways have done, that in the past, at least, the lines were 'starved,' more or less, in the interest of economies likely to swell those surpluses to which so much importance is attached, it

may well happen that, where the making of surpluses 'for general State purposes' is aimed at, a certain conflict of interest will arise between such aim and the maintenance of the railway system itself in the highest state of efficiency.

Nor can one regard as unreasonable the view taken by those German traders who suggest that if these available surpluses can be made out of the operation of the State railways, they should be devoted to the ensuring of such efficiency—if not also to further reductions in railway rates—rather than to educational and other purposes which could, they consider, be much more appropriately provided for by the general taxpayer. What is actually happening in Germany is, that while surpluses are being made (at least in Prussia), fares are being raised and privileges curtailed in order that more revenue may be gathered in. There was an increase in passenger fares in 1904, a ticket tax was imposed in 1906, and in 1908 there was a further revision of the fares, reduced return tickets and free luggage being abolished.

CHAPTER IV

STATE RAILWAY POLICY AND PRACTICE

SUPPLEMENTING the details given in the previous chapter as to the results of State railway operation in Germany, it might further be mentioned that the Austrian State railways show a constant deficit, after allowance has been made for interest on the railway debt and other standing charges—so much so, that the Finance Minister recently announced that, owing to the insufficiency of the results, it was imperatively necessary to raise from the lines an additional revenue of 70,000,000 kr. In Hungary the 'percentage of surplus to cost of construction' is swallowed up by interest and standing charges, and in that country also tariffs have been raised as a means of obtaining more revenue to meet necessary expenditure on the lines.

Belgium.

In Belgium, the question of the way in which the accounts of the State railways were being presented gave rise from an early period in the history of the lines to an active controversy as to whether the railways were actually contributing a net

balance to the Belgian Treasury, after covering all expenses, or were, in point of fact, an actual charge upon the public funds.[1] So-called 'balances' were shown from year to year, but these would seem to have been chiefly a matter of book-keeping, being arrived at mainly by the expedient of taking the difference between working expenses and gross receipts, and leaving out of account payment of interest on the railway debt and other inconvenient items. In 1905 the State Railway Administration surrendered to their critics, adopted an improved system of accounts, and undertook to present a fresh set thereof from the time (1835) when the State railway system came into existence. These new accounts, in which due allowance was made for standing charges, led to the balances which had been claimed for many of the years between 1885 and 1905 being turned into deficits.

The actual position, as shown by the official report for 1911 of the Belgian Railway Minister, is that between 1835 and 1911 inclusive there were thirty-seven annual deficits to set against forty annual surpluses. It was not until 1863 that net balances over the *accumulated* deficits began to be shown. They continued to 1874, when they were succeeded

[1] "La Question de la Situation financière des Chemins de fer de l'Etat belge," par Dr Leon de Litwinski, p. 15.

by a continuous series of net deficits down to 1898, to be followed since that date (except for the year 1901) by a further series of net surpluses, the final result being that by 1911 the accumulated surpluses had exceeded the accumulated deficits by only £136,000.

Since 1899 the financial results for each year, after allowing for payment of standing charges, have been as follows :—

Year.	Surplus.	Deficit.
1899	£518,480	—
1900	—	£199,216
1901	—	307,528
1902	118,840	—
1903	449,475	—
1904	483,940	—
1905	378,097	—
1906	326,972	—
1907	—	278,640
1908	—	281,776
1909	—	209,726
1910	246,632	—
1911	9,330	—

How the surplus of £9330 was obtained in 1911 may be shown thus :—

Gross receipts	£12,554,900
Working expenditure . . .	8,425,800
Balance	£4,129,100
Financial charges	4,119,770
Surplus	£9,330

Inasmuch as the capital cost of the lines down to 1911 had amounted to £111,636,000,

the results as here shown do not represent a very brilliant achievement, although British railway nationalisation advocates generally couple Belgium with Prussia as offering the two most conspicuous examples of financial success in the operation of State railways abroad.

Still less remarkable do these Belgian results appear when one remembers that the State railways in that country are entirely exempted from taxation.

In connection with the finances of the Belgian State lines, the fluctuations and generally high level, in recent years, of the percentage of working expenses to gross receipts, as shown by the following table, are not without their significance :—

Year.	Per Cent.		Year.	Per Cent.
1860	47·57	..	1904	60·03
1870	55·66	..	1905	62·60
1880	60·03	..	1906	63·81
1890	59·83	..	1907	69·18
1900	67·86	..	1908	67·74
1901	68·05	..	1909	67·46
1902	62·23	..	1910	65·61
1903	60·12	..	1911	67·11

Western Railway of France.

What degree of success has attended the State operation of the Western of France Railway, taken over by the French Government in 1908, may be judged from the following table,

which compares the actual financial results for that year with the estimated figures for 1913 :—

	1908.	1913.	Increase.
Gross receipts .	£8,784,000	£10,072,000	£1,228,000
Working expenses	5,920,000	9,028,000	3,108,000
Net charges .	3,948,000	4,640,000	692,000
Deficit . .	1,080,000	3,596,000	2,516,000

The most striking feature in this table is, of course, the enormous increase in working expenses, under State management, during so short a period as five years. Analysing this particular item, one finds that the increase has been especially marked in respect to wages and salaries :—

	1908.	1913.	Increase.
Wages and salaries .	£3,164,000	£5,496,000	£2,332,000
Other expenses	2,756,000	3,532,000	776,000
Total . .	£5,920,000	£9,028,000	£3,108,000

These figures have a direct bearing on the question as to the alleged greater economy and efficiency of State management, and, also, on those possibilities of political pressure being exercised on a Government by State railway employees, to which reference will be made later on.

Switzerland.

So far were the greater economies predicted for the nationalisation of the Swiss railways from being realised that the percentage of expenditure to gross revenue rose from 60 per cent. in 1902 to 69 per cent. in 1907, an increase in traffic receipts being entirely wiped out by the increase in working expenses. The staff—itself considerably increased—secured shorter hours, longer holidays, and higher salaries or wages, thanks to the political pressure exercised by them or on their behalf; superfluous trains were run to suit the convenience of influential political groups; and, in the result, losses were sustained which 'somewhat seriously compromised' the situation of Swiss finances, so that, as the British Minister at Berne remarked in a report to the Foreign Office in 1909, the question had then arisen 'whether the administration of the railways since they became State property had, in fact, been beneficial to the State.' After allowing for interest on consolidated loans, for sinking fund, and for other necessary items, the receipts in 1908 had failed to meet the expenditure by £281,053—a result all the more unsatisfactory because 'by the purchase of the railways the Confederation had bound up its credit and its finances with the working of the railway.' Then, further, instead of the Swiss people getting the better train services and

the lower rates and fares which were to follow from the economies to be effected, under State purchase and operation, through a concentration of the different lines and their working in the hands of the Confederation, it is the railway employees alone who have secured any material advantage. This they have done under conditions which would be disastrous to any undertaking conducted on commercial lines, and not having the bottomless purse of the taxpayer to draw upon.

Australia.

If we turn from Europe to the railways of Australia, we find that the only State in the Commonwealth which can show a continuous series of surpluses over working expenses and charges on capital from the start is Western Australia. Down to about 1906 it was the practice on the part of other of the States to regard the difference between gross receipts and working expenses as a surplus, keeping in the background the item of interest on the railway debt. Of late years the financial results of operation have been more satisfactory, and certain States which previously adopted the course stated now show annual balances after making full allowance for current charges on capital. But, though much credit is claimed for this fact, little or nothing is said as to the accumulation of earlier deficits which the

surpluses have been wholly inadequate to wipe out.

Taking only the years 1901–10, the total deficits of the Commonwealth railways in the first five years of that period amounted to £4,265,000, and the total surpluses in the second five years came to £3,922,000, showing a net deficit of £343,000 even for these ten years only, without any allowance for the heavy deficits prior to 1901.

Again, it is open to consideration whether the more recent surpluses on the Australian railways have not been ensured mainly by the omission to incur greater expenditure on extensions, widenings, additional rolling stock, and other improvements which had been rendered desirable, if not absolutely necessary, in the interest of Australia's vastly-increased production.[1]

In the matter of operation the tendency of Government working in Australia, equally as in France and Switzerland, is in the direction of greater cost rather than of greater economy. This fact is well shown by the following figures, which give, for the years stated, the percentages of working expenses to gross receipts in each of the different States in the Commonwealth, together with the averages for the Commonwealth as a whole :—

[1] See *The State Railway Muddle in Australia* by Edwin A. Pratt, 1912. (John Murray.)

State.	1906–7.	1907–8.	1908–9.	1909–10.
New South Wales	53·08	54·91	58·72	59·73
Victoria .	58·65	62·89	60·19	63·41
Queensland .	49·88	54·01	58·35	60·48
South Australia	55·10	55·68	57·39	58·09
Northern Territory	94·74	97·22	99·52	101·53
Western Australia	73·89	67·10	64·56	66·99
Tasmania .	71·84	72·70	72·89	74·52
Commonwealth	57·18	58·71	59·84	61·70

Western Australia is thus the only State which can claim a decrease in 1909–10 over 1906–7. Every other State, except as regards Victoria in 1908–9, shows a continuous increase, year by year.

One significant factor in this advancing cost of Government operation of the Australian railways may be found in the no less steady increase of the railway staffs—apart altogether from any question as to rates of wages or conditions of service. The increase in the number of employees on the railways of the Commonwealth between 1901 and 1910 was as follows :—

Year.	Salaried Staff.	Wages Staff.
1901	4,852	37,469
1906	5,177	37,575
1907	5,403	41, 22
1908	5,876	45,924
1909	6,005	49,114
1910	6,449	52,020

Whereas between 1901 and 1906 the wages staff increased by only 106, there was an increase between 1906 and 1910 of no fewer than 14,445—a difference in no way to be accounted for by any relatively greater extension of line or increase in traffic in the latter period over the former. The real explanation is to be found in the recent greater domination of the Labour Party over Australian politics and administration.

The latest outcome of all these conditions is that whilst in 1911–12 the State Government railways of the Commonwealth increased their gross revenue by £1,201,000, as compared with their receipts in the previous year, the working expenses rose by £1,880,000, and the surplus left after payment of interest charges was decreased by £370,000. These less favourable net results are attributed by the Sydney correspondent of *The Times* (January 17, 1913) to concessions to employees and higher cost of materials. 'This year (1912–13),' he further wrote, 'with a comparatively small increase and mounting charges, the surplus over interest bids fair to be still more largely cut down.'

Real Profits the Exception.—Without multiplying examples—and there are many more which could be given—it may be safely affirmed that, so far from State ownership and operation being invariably successful, as many

members of the railway nationalisation party are accustomed to affirm, the contrary is the rule. Apart from Prussia, the so-called 'net profits' on State railways in general would be reduced almost to a vanishing point if, instead of taking merely the surplus of gross receipts over expenses, one allowed for the payment therefrom of all fixed charges, and that, too, not only for a single year, or for a few years either of increased prosperity or of inadequate expenditure on improvements, but for the full period during which the earlier deficits may have been accumulating.

State versus Company.—When it is made clear that any particular State railway system has not been a financial success, the nationalisation advocates—who would be ready enough to claim for it the credit for such success if they could—are accustomed to declare that questions of finance are a secondary consideration. They claim that the operation of railways by the State must necessarily be of greater advantage to the community than operation by commercial companies because Governments will act on broader lines, and with more regard for the public interest, than companies whose only aim, as is said, is the payment of dividends.

With a view to examining this proposition, it may be of advantage to look at the course

of railway policy adopted (1) in the United Kingdom and the United States by private companies, and (2) on the Australian continent, where State enterprise is almost exclusively in vogue.

British Railways.—Quite early in the history of British railways it was seen by those concerned in the developments then proceeding that the ownership and separate operation of the railway lines by a multiplicity of companies would be prejudicial to the working of through traffic.

Between London and Liverpool, for instance, the lines were then owned by three companies, and the same was the case with those between London and Bristol. To meet these conditions the companies started almost from the outset on a policy of amalgamation which allowed of through routes being operated under one and the same management; they supplemented amalgamations by mutual agreements or arrangements to facilitate the passing of through traffic over the different lines so that, as far as the public were concerned, these lines might be regarded as one and the same; they set up, as early as 1847, a Railway Clearing House to secure the better adjustment of accounts in respect to the carrying of passengers or goods over various companies' lines in return for a single payment; and they have since

established, not only uniformity of gauge, but such physical connections that rolling stock can pass from the lines of one company to those of any other throughout Great Britain; while the policy of the companies to-day is to carry amalgamation, consolidation, or agreements still further with the view, not of working up a monopoly which would hold the British public at its mercy, but of ensuring to an even greater degree the advantages of operating through traffic on a lower scale of working expenses.

Leaving aside, for the moment, the detail as to actual ownership of the lines, the effect of the policy thus fostered by British railway companies has been to supply England, Wales, and Scotland with what, from a physical standpoint, at least, is a 'national' system of railways, and one that, in regard to all main lines of traffic, may now be regarded as practically complete.

United States.

In the United States the pioneer railway companies each adopted for its own lines, at the outset, the particular gauge which accorded with its own ideas.

By the year 1886 there were some eight or nine different gauges in operation, with the result that the use of a company's rolling stock was too often restricted to its own lines, while the employment of certain mechanical

arrangements for overcoming this difficulty by removing a wagon from one set of bogey trucks to another on a different line was far from satisfactory. It became evident, in fact, that the American railways, though owned by various companies, would, both in their own interests and in those of the country, require to adopt uniformity of gauge, thus securing physical connection of one line with another and allowing of through traffic in all directions with the same rolling stock.

A conference of Presidents of the different railways, held in the summer of 1885, resolved upon the carrying out of this policy, the necessary arrangements were made, and, in the course of two days, at the end of May, 1886, the various lines were converted to a standard gauge of 4 ft. 8½ in., except in some few instances where a gauge of 4 ft. 9 in., which still allowed an interchange of vehicles, was retained.

So in the United States also there is now the physical equivalent of a national system of railways allowing of free and unrestricted communication, as far as rolling stock is concerned, throughout the length and breadth of the country, irrespective of differences in ownership or of State boundaries.

This uniformity of railway gauge has, in fact, been a most important factor in rendering the United States still more *united* than

they would otherwise have been. It knit west, north, and south still more closely to the east, and made the different States feel that they really constitute part and parcel of one and the same nation.

GOVERNMENT POLICY IN AUSTRALIA.—When we turn from the results of company enterprise at home and in the United States to those of Government action on the Australian continent, we find that the railway policy of the different Colonies or States there has been based mainly on the principle of each showing a jealous regard for its own particular interests, as distinct from any adequate consideration for the convenience or welfare of neighbouring States or of Australia as a whole.

In New South Wales, for instance, the State lines to Riverina were stopped short of the Victorian border in order to force the settlers to send their export produce by a 450-mile route to Sydney instead of giving them the alternative of a 150-mile route to Victoria—in which latter case the railways and the capital city of the adjoining State would have had the main advantage. In the same way certain New South Wales lines to the north of that State stopped short of the Queensland border, depriving local traders of the opportunity of sending their export produce 100 miles to Brisbane, and leaving them to forward by the 600-mile route to Sydney—

once more in the interests of the New South Wales State lines and of the State capital, though very much to the detriment of the traders.

There was thus followed a two-fold policy of (1) concentrating New South Wales export traffic on the port of Sydney, and (2) ensuring the flow of traffic, even from the very borders of New South Wales, over the Government lines. It may safely be affirmed that if the railways in New South Wales had belonged to competing companies, instead of forming the monopoly of the Government, not only would the lines have been taken to the borders of neighbouring Colonies—thus giving the traders the advantage of the shortest routes—but various other places besides Sydney along the coast of New South Wales would have been developed as seaports. Much of the recent great congestion of traffic both on the railway lines leading to Sydney and in the port of Sydney itself would also have been saved, and a still further advantage would have been conferred on the traders. Successive Governments, controlling the entire network of railways, were, however, not interested in the development of these further possible ports, and under the influence of powerful interests in the capital they continued the policy of concentrating the export and import traffic of the State on

Sydney, deliberately stopping the State lines short of some of the possible alternatives lest these should be developed at the expense of the capital.

In the neighbouring State of Victoria there has been a corresponding concentration of railway traffic on Melbourne. By cultivating such concentration the Government railways obtained the advantage of a long haul from districts which should have been enabled to forward produce from a nearer port for shipment. The powerful trading interests of the capital have, also, been protected and fostered at the expense of country towns and 'outer ports.' In an article on 'Railways and Centralisation,' published in the *Melbourne Argus* of July 18, 1912, Professor Hugo R. Meyer, author of *Government Regulation of Railway Rates*, tells how, as the result of these conditions, 'complete paralysis' has overtaken the 'safe harbour' of Portland, which, he informs us, is the only Victorian port in use that the largest vessels going to Australia can enter and leave when fully laden. Portland is nearer than Melbourne to an especially productive agricultural district, yet Professor Meyer says concerning it :—

> Portland to-day has about 2500 inhabitants. Had the railways of Victoria, since 1872—when the Francis Ministry snuffed out Portland's efforts to build its own railway northwards—been administered

with the sole aim of promoting trade in whatever direction it wanted to go, Portland would to-day be a city of more than 100,000 people. But, under the plea of the financial necessity of getting 'the long haul,' the railways made differential rates that carried the wool from Portland's 'back yard' to Geelong and Melbourne, and as late as 1906 they supplemented these rates with secret rebates.

Portland has further suffered from the fact that, although it is the natural port of Mount Gambier, a rich agricultural district in South Australia, some seventy miles away, and although the Victorian Government wished to connect the two places by rail, the South Australian Government disapproved because this arrangement would have led to their own railways having only a short haul; whereas by leaving the traders in the district in question to ship their exports via Adelaide, the South Australian State railways got a haul of 300 miles and conferred advantages on the port and the traders of Adelaide. That the Mount Gambier producers suffered by having, in the interests of State policy, to pay a much heavier charge in respect to transport than they should have done seems to have been regarded as quite a secondary consideration.

It is true that some belated changes in this particular phase of Australian railway policy are now being made. During 1912 it was announced that, as the result of

arrangements between the States concerned, there was to be a linking up of various border lines in order to give traders the advantage of the nearest and, for them, 'natural' port, irrespective of the fact that such port might be situated in a neighbouring State. It was further announced that a new Commonwealth port would be created at Jervis Bay, New South Wales, one desirable result of which would be to relieve somewhat the congestion at the port of Sydney and on the lines of railway leading thereto.

Yet the fact that the Government railway systems of Australia should have been developed at all on this system of inter-State rivalry, jealousy, and exclusiveness shows that in State ownership and operation of railways there is not necessarily any superior advantage over company ownership in regard either to matters of broad-minded policy or principle, or to a study of the real interests of the community as a whole.

Difference of Gauge.—Nor does Government railway policy in Australia show to advantage in the detail as to the differences of gauge between the various systems—differences, in fact, that offer serious impediments to inter-State communication even when the lines of the respective systems do meet at the border. Thus in New South Wales the gauge is 4 ft. 8½ in., in Victoria it is almost exclusively

5 ft. 3 in.; in South Australia the lines are partly 3 ft. 6 in. and partly 5 ft. 3 in.; while Queensland, Western Australia, and the Northern Territory have adopted the 3 ft. 6 in. gauge. Owing to these variations, change of carriage or transhipment of goods is necessary at the border in the case of most of the inter-State traffic.

When the pioneer lines in Australia were constructed, whether by companies or by the Colonial Governments themselves, the selection of the particular gauge adopted in each instance may have been warranted by the geographical, financial, or economic considerations that were then predominant, and especially so at a time when trans-continental lines could hardly have been anticipated. Where the scope for criticism arises to-day is, not in the initial adoption of these different gauges, but in the retention of them beyond the period when their actual or prospective disadvantages became self-evident. Whereas, in fact, the railway companies of Great Britain and of the United States, though themselves starting with different gauges, have, as already shown, long abandoned them and adopted uniformity, the Colonies, or, later on, the States, on the Australian continent have hitherto failed to show a like enterprise or an equal readiness to provide a really 'national' network of

railways, serving Australia as a whole, as distinct from separate State systems answering mainly State or local purposes.

A conference of engineers, representing the railway departments of the Commonwealth and of the mainland States, was held at Melbourne in December, 1911, and again in April, 1913, with a view to considering the necessity for a uniform gauge and the most practical means for ensuring its attainment. This was a step in the right direction; yet the holding of this belated conference showed that State enterprise in Australia is only now approaching the stage in railway policy and practice that was reached by private enterprise in the United States in 1885.

There is the further consideration, also, that the cost to-day of repairing the original error, and establishing the uniformity which is indispensable to Australia's full economic development, will be far greater than it would have been before the lines had attained their present extent; while the need for this expenditure now comes concurrently with the necessity for a further large outlay on new lines, widenings and extensions, and for a greater provision of locomotives and wagons. The conference of engineers decided, for instance, to urge the immediate adoption of a uniform 4 ft. 8½ in. gauge throughout Australia; but the estimated cost of carrying

out this recommendation is put at £37,000,000, and the question that arises—especially in view of the demands or requirements in other directions—is, How is this amount to be raised?

Political Lines.—Another respect in which State railway systems have been open to criticism is in the construction of so-called 'political lines,' that is to say, unremunerative lines which have been built less to meet public requirements than to serve the interests of particular individuals or districts whose favour the Government concerned have desired to gain or retain for political reasons, although the prospects of the lines in question ever paying their way and being other than a costly incubus on the remainder of the system might be *nil*.

Political lines differ from ordinary branch lines. The latter, although they too may be unremunerative in themselves, justify their existence both by acting as feeders to the main lines and by affording rail transport facilities to districts where the need for them or the prospect of a future increase in traffic is sufficiently great to warrant their construction. Branch lines of this type are an ordinary development of railway construction in all countries, whether under State or company ownership, and there is certainly no lack of them in the United Kingdom.

Lines built for political rather than for economic reasons are peculiar to State-owned or State-aided railways in countries of the more democratic type where the Government may be especially amenable to the Parliamentary or political pressure of individuals or constituencies. The same conditions may not be found in a country like Prussia, where the Government and the State Railway Administration can act with greater independence of outside influences; but in Australia the building of political as distinct from really useful and fully justifiable branch lines has been a notorious phase of Government railway policy.

In Victoria, for instance, lines were at one time built which were so little needed that they became absolutely derelict, and, after one set of electors had been provided with employment in laying them down, another set was employed to pull them up again. Other unnecessary lines, of the political type, still remain a hopeless burden on the Victorian State railway finances.

In South Africa the remunerative lines which serve a useful purpose have to make good the losses sustained on unremunerative, if not useless, branch lines built as bribes to secure the support of particular constituencies, the offering of such bribes, more particularly in election times, being formerly a common

practice. In a like way the favour of agricultural constituencies was sought by the concession to them of what were virtually subsidies, in the form of unduly low rates, which had to be made good out of the rates charged to the industrial community. The Government lines were, in fact, operated as part of the political machinery, and what amounted to bribery and corruption was openly practised—at the public expense.

The position in Cape Colony was thus described by Sir Thomas Price in a Memorandum prepared by him in February, 1907, at the request of the Railway Commissioners of the Cape Government railways :—

> There can be little doubt that in the Cape Colony political considerations have influenced the adoption of new lines and their construction—many, if not most of them, of an unprofitable character—without sufficient inquiry or information, often with scanty particulars and possibly contrary to the advice of the officer entrusted with the construction and working of the line. A material change is imperatively necessary to ensure the solvency of the Colony.

Owing to the operation of these unprofitable political lines, favourable balances on the main lines were, after allowing for interest on capital cost, turned into deficits for the whole system. In the year that Sir Thomas Price presented his Memorandum a net loss of £217,000 was admitted, and this figure would

have been doubled but for the fact that an item of £252,500 in respect to redemption of outlay on additional rolling stock, locomotive workshops, etc., was 'remitted,' instead of being charged against the railway accounts.

Concerning the New Zealand Government railways, which have also been the subject of much adverse criticism, the *New Zealand Herald* of June 8, 1912, says :—

> Many of the South Island lines should never have been constructed, being so many sinks for national loan money expended for political purposes, and much of the expensive service maintained on them should be curtailed.

Nor should the fact be overlooked that even in France the complications of the railway situation have been greatly increased by the numerous small and wholly unremunerative lines which successive Governments, yielding to political considerations, induced the otherwise reluctant companies to undertake by giving them a guarantee of interest.

Political Influences.—In addition to the construction of unnecessary lines as bribes to electors, Government railways may be subject in various other directions to political or electoral influences which tend no less to prejudice their economical and efficient operation.

Here we have again to look at the experiences of countries of the democratic type rather than at those of countries like Prussia, possessing a more autocratic form of Government; though it is once more the former rather than the latter that we need to study from the point of view of possible developments of like experiences among ourselves under an adoption of the nationalisation system.

Political control of the Government railways in Australia led to such grave abuses that, beginning in the year 1883, one Colony after another had to resort to the appointment of Railway Commissioners who, so far as regards operation and management, were to exercise authority unhampered by the politicians. A great improvement was thus brought about in the general situation; yet indirectly much is still done in Australia to exploit the State railways as a political asset, and the whole subject was revived in New South Wales so recently as 1912, when the deficiencies of the State railway system led to a vigorous controversy, and to much denunciation by the politicians of the Chief Railway Commissioner. The *Sydney Morning Herald* of March 15, 1912, summed up the situation by saying:—'The Government is reaching out in all directions for more power, and it will not be happy until it gets the

railways under its thumb, with a return to the evil days of political influence and patronage'; while the *Sydney Daily Telegraph* of March 6, 1912, wrote :—

> Whether we are to have political or non-political management is a question on broad and clear lines. Every one who has knowledge of administrative history in this State is aware of what political control means in the railways or in any other public business department. Its effect is sufficiently indicated by the fact that the politicians have been compelled, in spite of any open or concealed reluctance, to establish independent management. Equally well and unfortunately known is the hotch-potch system under which political and non-political administrations are mixed. Inevitably its result is political domination, with the bad consequences which have outcome from it here in the past and in other parts of Australasia. If there is to be political control, it must be administratively complete, and if that is not conceded, if the politicians are to have a finger in the pie, Mr M'Gowen might as well be frank about it, and admit that his party hankers after political control.

It may be argued that if the principle of railway nationalisation were adopted here, measures would be taken to avoid any repetition of such pernicious consequences of 'political influence and patronage' as those experienced in Australia; but what I would especially point to is the fact that, although political control of the Australian railways seemed to have been effectively disposed of

years ago by the policy of appointing Railway Commissioners, the controversies in New South Wales in 1912 show the futility of trusting to such precautionary measures in States or countries where democratic influences and interests may, sooner or later, and especially as the result of changes in the political situation, seek to set them aside and revert to the old conditions.

Concerning the Cape Government railways, in this connection, a correspondent of the *Glasgow Daily Record*, who stated that he was formerly in the Cape Civil Service Railway Department, wrote in the issue of that journal for October 9, 1912:—

> The amount of lobbying that went on would, if they knew about it, give pause to the people who shout so loudly for the nationalisation of railways. Every member of the Legislative Assembly was, perhaps rightly, interested in getting a luxurious station built for his own particular town, getting fast trains to stop there, and obtaining promotion for his particular friends.

Taking Belgium as a typical European country whose democratic tendencies influence the operation of State railways, one learns that Railway Ministers there have found it useless to implore deputies to 'exclude electoral consideration from a business budget'—that is, from the State railways budget—'and not to mix politics with a commercial enterprise.'

How a railway budget is discussed in the Belgian Chamber has thus been told:—

> Every instant some member rises, demanding improvement in the service, the creation of new stations, the arranging of more stoppages, or the concession of tariffs of greater advantage to industries in which he is interested. Then, for improving the position of the officers, officials, and labourers, notwithstanding the sums already expended under this head, what complaints and demands are not put forward!

On one occasion sixty out of the 166 representatives in the Belgian Chamber took part in a debate on the railway budget which extended over five weeks, and of the said sixty no fewer than forty spoke with a view to securing increased pay for the railway workers.

While, also, the State controls and operates the greater part of the ordinary railways in Belgium, the construction of the extensive system of light railways, now alone being built in that country, has been left by the State to a National Light Railways Society ('Soctété Nationale des Chemins de Fer Vicinaux'), which constructs the lines with funds provided in the proportion of 42·1 per cent. by the State, 28·4 per cent. by the provinces, 28·0 per cent. by the communes, and 1·5 per cent. by private investors, but does not operate any of them itself, the

working being left to private companies, of which there are no fewer than thirty-seven.

The reason for this arrangement may not be immediately apparent, considering how thoroughly wedded Belgium seems to be to the principle of railway nationalisation; but M. Colson, the eminent French authority on railway questions, accounts for it in his *Transports et Tarifs* (3rd ed., p. 777), on the ground that it was adopted '*to avoid the intrusion of politics*.'

That the tendencies towards a decadence both of political life and of Parliamentary procedure in England have already been sufficiently acute of late years is a fact which all must admit. Is it desirable that the risk of such tendencies should be still further increased—as it would be, judging from the examples here offered—by a resort to the State operation of railways under conditions that, whatever the nature of the safeguards offered and the precautions taken, would still leave the door open, in a country like our own, and wholly dissimilar, politically speaking, from Prussia, to an undue admixture of politics and railway operation, with the abuses or the disadvantages that would inevitably result therefrom?

Opening Up New Country.—For the Government railways of Australia, more especially, it is claimed that they have

conferred an enormous advantage on the States of the Commonwealth by opening up new country for settlement.

This is perfectly true; but they have done so by reason of the fact that they *are* railways, and not because of any special virtue in their construction and operation by the Governments concerned instead of by commercial companies—assuming that the latter would have been no less willing to build them in advance or in furtherance of settlement.

Undoubtedly difficulties in the provision of railways by private enterprise were experienced at the outset in Australia. But after these early troubles had been overcome, with adequate encouragement and opportunity, private enterprise would surely have provided for the transport needs of Australia no less efficiently than it has done for those of such fairly comparable countries as the United States, Canada, and Argentina, where the railway systems have been carried to a stage of development far surpassing anything that Australia herself can yet show.

In the United Kingdom there are many examples of railways constructed under such conditions that the investors had every prospect of having to wait a more or less prolonged period for the development of a traffic large enough to allow of a return on the capital

outlay. Among these lines are some from which the shareholders are still awaiting a dividend, the benefits from construction having hitherto been gained exclusively by the public. It is, however, quite another thing to suggest, as one enthusiast on the subject of railway nationalisation does, that 'cheap and efficient transport is so necessary a thing that, in the same way as is already done in the case of the Post Office, every section of the community should be provided with a minimum of facilities, whether they pay or not.' The delivery of letters by country postmen, on bicycles or otherwise, is one thing; the construction of branch lines of railway to serve the occasional requirements of every village or hamlet throughout the land, regardless of all considerations of cost and prospective revenue, is another.

Railway Rates.—There is a further assumption that State ownership and operation of railways lead to uniformity and simplification of railway rates. We have, for example, been told how, in Germany, the trader buys for a few pence a little book which gives him the exact rate for the consignments he may wish to send from any one point to another; while the Chief Whip of the Parliamentary Labour Party, who presided over the annual conference of that Party in January, 1913, said concerning railway nationalisation—

which he declared to be 'a practicable proposition'—that 'the adoption of a uniform rate of conveyance on the principle of the postal service would give a wonderful stimulus to industry.'

Uniformity and simplification of railway rates were certainly among the purposes aimed at by Prince Bismarck when Prussia acquired the lines of the railway companies. The great variety of tariffs had produced much confusion and perplexity among the trading community. The politicians thought to get rid of these conditions—under State management—by fixing the railway rates on a rigid 'distance' basis.

It was soon found, however, that the interests alike of trade and commerce and of the State railway exchequer rendered necessary the concession of exceptional rates to meet conditions which the ordinary 'class rates,' on the uniformity and simplification basis, would not serve; and, in the result, something like 65 per cent. of the traffic on the Prussian State railway system is carried to-day at these exceptional rates.

Instead, also, of the system of German railway rates being so simple that the trader can learn from a little book, costing a few pence, all he wants to know about them, the actual fact is that a complete set of the tariffs in operation on the German railways

(including the separate issues for domestic commodities, live stock, coal, and export, import, or transit goods) comprises nearly 1000 different books of rates, all published and obtainable by the trader. Such, in fact, are the complications attendant more especially on the consignment of goods to adjoining States or to other countries that the average German trader generally finds the services of a forwarding agent ('Spediteur') indispensable to the carrying on of his business, apart from the purpose that such forwarding agent also serves in collecting goods which can be carried at the lower rates available for wagon-load lots.

The suggestion that, under State ownership of railways, there could be a uniform rate of conveyance 'on the principle of the postal service' is, of course, wholly impracticable. More to the purpose is the consideration that, while even State railways are bound by economic laws, and must necessarily concede exceptional rates, as railway companies do, to meet exceptional conditions —thus nullifying the idea of equality and uniformity over the entire system—the rates in force on State-owned railways, as an almost invariable rule, show a greater rigidity than is the case with the rates on company-owned railways, and this notwithstanding the fact that the greater elasticity in the latter

may be checked more or less through the operation of Government control.

It is, however, only in accordance with the nature of things that this greater rigidity should be found. An administration operating the entire State railway system of a country, and having, as far as it can, to balance the interests of one district against those of another, must needs find it difficult to harmonise the trade jealousies certain to be aroused when concessions made to one set of traders are regarded by another set as operating to their own prejudice.

The same trouble may arise under company ownership, but not to anything like the same extent, since a railway company is concerned in providing facilities mainly for traders in the territory served by its own lines, and is especially interested in enabling them to meet the competition, on various markets, of other traders elsewhere.

There is a natural desire on the part of a producer located within a certain radius of an important market to have the full benefit of what he considers to be his 'geographical advantage' in respect thereto. Railway rates of a 'uniform' type, fixed on the inelastic mileage basis favoured by State railways in general, have the effect of ensuring this advantage to the local producer or trader; but they also tend towards a concentration of

production within the radius and to the local producers controlling the local market, to the disadvantage of the consumer and of distant producers.

Where, on the other hand, this theory of the geographical advantage is discarded by railway companies, and producers at a distance are encouraged, by rates especially adapted to meet their circumstances, to send in their supplies to markets which otherwise would not be available for them, the effect is (1) to widen the area of production, (2) to decrease the tendency towards a concentration of producers within a certain radius, and (3) to lead to increased supplies, greater competition, and lower prices on urban markets. The local producers may suffer under these conditions, since they are deprived of the protection otherwise assured to them by railway rates especially favourable to themselves; but as against their detriment must be put the advantages conferred on the community.

How these conditions operate may be illustrated by a comparison between Berlin and London.

'Berlin,' says Mr Charles Lee Raper, in *Railway Transportation*, 'is forced by the distance rate to purchase her vast supply of fresh foods, etc., from a small area, the radius of which is, perhaps, not more than 75 or

80 miles; while New York secures hers from 300 miles away, and London 150–200.'

An especially striking example of these conditions is afforded by the item of milk supply.

Writing in the issue of *The Journal of Political Economy* (Chicago), for May 1907, Professor Hugo R. Meyer dealt with the results of three investigations into the sources of the milk supply of Berlin and its immediate suburbs made by the Berlin Statistical Department, and said they showed that, for all practical purposes, the railway freight charges prohibit the importation of milk from points distant more than 75 miles, and that the effect of the distance tariff had been to concentrate within a distance of 56 miles of Berlin no less than 85 per cent. of the dairy cows whose milk was sent to Berlin by rail.

Professor Meyer further told how the League of Landowners ('Bund der Landwirte'), which he described as 'one of the most powerful political organisations in Germany existing for the purpose of promoting class and sectional interests,' had taken action to keep up the price of milk in Berlin; how the leading commercial organisations there, together with the Chamber of Commerce, had appealed for such reductions in freight charges as would allow of milk being sent to Berlin from places 187 miles away, to the advantage both of dwellers in the

capital and of the distant dairymen; and how the reductions desired were refused owing to 'the unwillingness of the Railway Department to precipitate a conflict of interest between the near-by producer and the distant producer,' while 'the fact that the Bund der Landwirte desired to raise the price of milk by limiting the production for the Berlin market also was a factor that influenced the Railway Department. The whole incident,' he added, 'was simply one of those innumerable episodes, now large, now small, which one finds whenever one looks beneath the surface in investigations into Prussian railway trade and industry. The making of railway rates by Government through the State ownership of the railways has brought the element of politics into innumerable Prussian rate questions.'

In the case of the London milk supply, political considerations and conflicts of interest between near and distant producers are not recognised by the railway companies, who aim at encouraging the forwarding of supplies from the widest possible area. Their scales of rates for milk conveyed by passenger or special milk trains (including return of empty cans) range from one halfpenny per imperial gallon, for distances up to 20 miles, to a penny-farthing per gallon for 150 miles; while over 150 miles there is a uniform rate

of three-halfpence per gallon for any distance. Thanks to these arrangements, milk has been brought to London from Toome, a station in Ireland (on the lines of the Northern Counties Committee), which is at no less a distance from Euston than 513 miles. During 1911 over 1500 cans were carried on the Great Western Railway from St Erth, Cornwall, to Paddington, a distance of 320 miles. There is a regular milk traffic from places 130 miles from London, though the bulk of the supply comes from the 40–100 miles radius, at an average cost for rail transport of one penny per gallon. In order still further to facilitate the traffic, the railway companies have organised on their systems 'collecting points,' such as those at Swindon, 77 miles from London, and Egginton Junction, in North Staffordshire, 154 miles from London, whence the milk brought in from various points in the district is sent on to London by regular milk-specials, travelling at practically express speed.

In the same way it could be shown that the concession by railway companies in the United Kingdom of low rates for long-distance consignments allows of fish from Scotland competing on the London market with fish from English east-coast ports, to the advantage both of the distant fishermen and of the ultimate purchaser.

For these reasons, and others which it would take up too much space to discuss, there would seem to be no special or inherent virtue in the 'greater uniformity'—or, otherwise, in the greater rigidity—of rates on a State railway system as compared with the more elastic rates of company-owned railways operated on commercial principles.

State policy in regard to these particular matters is thus not necessarily superior to railway companies' policy, while in practice the advantages that traders in Prussia, for instance, derive from specially low export rates, conceded by the Government either to meet the competition of other routes or in the interest of Germany's industrial expansion, are not shared by the 'domestic' traders. The satisfaction of the latter with the general transport conditions is far less complete than the railway nationalisation party here would have us believe.

As for the general comparisons so frequently made by members of that party between British and foreign railway rates, these are, as a rule, of little value, if not altogether misleading. The rates compared may apply to wholly different conditions in regard to such details as export or domestic consignments, fast or slow trains, bulk, regularity of traffic, length of haul, time allowance for delivery, and also services rendered or

not rendered in respect to collection and delivery, loading and unloading, warehousing or wharfage, etc.

If, when due allowance has been made for all these possible differences, it should be found that British railway rates are still somewhat higher than foreign State railway rates, under like circumstances and conditions, one should bear in mind the fact that, for reasons I have already fully detailed in my *History of Inland Transport and Communication*, the capital cost of the railways in the United Kingdom has been far in excess of that of any other railway system in the world. From the latest available figures, as published in the *Bulletin of the International Railway Congress Association* for September, 1912, I take the following examples :—

Country.	Construction Capital Per Mile.
Great Britain and Ireland	£56,011
Germany (the entire system)	23,557
France (main lines)	29,264
Belgium (State railways)	38,006
Italy (State railways)	26,008
Austria (the entire system)	24,603
Holland (the entire system)	17,350
Denmark (State railways)	11,561

Foreign Examples no Precedent for Ourselves.—Without going still further into a

question of such magnitude as that of the circumstances under which other countries have adopted State ownership of railways, and the particular conditions of their operation thereof, the considerations already advanced should suffice to show that the arguments derived by railway nationalisation advocates from what is being done elsewhere do not establish a precedent that we ought necessarily to follow. It would be unwise to do so unless there should be some exceptional reasons in our own transport and economic conditions that call for adoption of the nationalisation principle from the point of view, not of *creating* a railway system, but of State operation of the system that already exists.

CHAPTER V

LABOUR'S AIMS AND PROSPECTS

DURING the past few years the most vigorous and the most persistent of the demands for railway nationalisation are those that have come, not from the traders of the country, not from railway travellers, and not from the railway shareholders, but from members of the Labour Party, and more especially from representatives of the railwaymen's labour unions.

Why these particular interests should seek to bring about the ownership and operation of the railways by the State has been made abundantly manifest. They think the result would be to the advantage of labour in general and of the railwaymen in particular, and they seek to attain this object from motives of class or personal interest.

MORE PAY: LESS WORK.—It is anticipated, in the first place, that with State ownership the railway workers would get higher wages. The belief is cherished that whenever railways are acquired by the State the wages rise to a higher scale than when they were owned by

companies, and that the immediate result of nationalisation here would be an increase of wages all round, or, at least, for all the grades which at present consider themselves to be underpaid. One supporter of the movement has contemplated the increase of wages by 11½ millions a year, and he has suggested that no one would 'begrudge a railwayman, who has to go to work at all times of the day and night, an increase of just over 2s. in the pound.' The question is, however, not if any one would begrudge such increase if it were practicable, but if the payment of a further 11½ millions a year in wages for railwaymen could be arranged with a due regard for other interests.

Concurrently with the increase in wages there would be, it is promised, a reduction of hours. This is understood to mean that the men now employed would work less and that a larger number would be put on to do the same amount of labour as at present. Thus Mr J. G. Wardle, M.P., in an address at Gorton, in January, 1912, declared that 'one of the most striking results of nationalisation would be the placing of railwaymen on a 48-hours' week; and even,' he added, 'if a lot of the waste that went on under the multiple management were avoided, there would be employment for larger staffs than those now employed.' The higher wages and shorter

hours would, in fact, leave more openings for the unemployed ; though a probable effect of the comfortable positions thus assured to workers on a State railway system on which no profit need be made would be a disturbance and dislocation of the labour market in general, and especially of the agricultural labour market, from which most of the recruits for the wages staff of the railway service are already obtained.

The railwaymen have also been assured that, in addition to getting more pay out of the State for doing less work, they would, as civil servants, be sure to receive a pension when they retired from the service.

THE STATE AS EMPLOYER.—This tendency on the part of Labour to look at the question of railway nationalisation exclusively from the point of view of self-interest was well shown by the deputation from the Parliamentary Committee of the Trade Union Congress which waited on the Prime Minister in May, 1912. It was no less made clear on that occasion that Labour expects to secure the said advantages because it considers that the State would yield to pressure more readily than the companies—in other words, would be 'more squeezable.'

Mr A. G. Walkden, secretary of the Railway Clerks' Association, told Mr Asquith that—

Railway servants were solidly in favour of nationalisation, feeling that they would be safer with, and would get better treatment from, the State. . . . They had to stop work to rouse public interest; but if it were a public concern they could arouse public interest in the House. . . . If they had Select Committees of the House of Commons to thrash out their troubles they would not find the workers unreasonable. . . . The Government was by no means so popular as it used to be with large masses of the people. Things had happened within the last year or two which had made the rank and file think they were favouring vested interests rather than the workers, and it would be very much better to grapple with this matter and nationalise the whole thing.

Another member of the deputation, Mr J. E. Williams, secretary of the Amalgamated Society of Railway Servants, further said that—

Five years ago there was a good deal of opposition to nationalisation among railway workers; but they had had such an experience during that time as had convinced them that there was no salvation short of nationalisation.

In reply to questions put by Mr Asquith, it certainly was suggested that the economies to be effected through nationalisation would allow, not only of all these advantages being conferred on railwaymen, but of a reduction in freights to the public as well. The main, if not practically the sole, idea of the deputation, however, was that the State should

undertake the stupendous deal involved in acquiring the railways in order that the position of the railway workers themselves should be improved.

If the expectations of the labour interests as here presented be taken into account, it is a matter for consideration whether the railwaymen, even from their own point of view, would be likely to find themselves in any really better position if they became servants of the State instead of remaining servants of railway companies.

The question as to the possibility or otherwise of realising the predicted economies will be dealt with later in a chapter on the financial aspects of the scheme; but, in regard to the general question of State versus company employment, it might be suggested that in our own country, at least, the State has not hitherto succeeded in giving such complete satisfaction as an employer of labour as to make it certain that railwaymen would necessarily find themselves in an improved position under nationalisation. The Post Office, for example, has long been a hotbed of discontent and agitation. Not long ago the postal servants appealed to the Postmaster-General to 'emancipate the white slaves'—meaning themselves. 'We had nationalised the Post Office,' said Mr Pike Pease, M.P., at Darlington, on February 2, 1912, 'but if he

were asked what class of workers had the worst complaints and the most grievances, he should, amongst the first two or three, refer to the Post Office employees.' The fact that there are thousands of men and women in the postal service who are miserably paid is undeniable, though the further assertion which has been made, that 'it was only the fear of losing their pensions that prevented a gigantic strike in that service,' may be unduly pessimistic.

When, again, Excise officers from all parts of the country met in London on November 9, 1912, to protest against the conditions under which they had been required to do their work, the chairman of the meeting declared that 'the service was at the present time seething with discontent. They were doing the work of the National Insurance Commission and receiving no payment for it. They demanded fair treatment and the removal of inequitable and anomalous conditions.'

As for the Admiralty as an employer, the *Daily Citizen* wrote in April, 1913:— 'The workmen are demanding increases in wages. The engineers and boilermakers are clearly underpaid, and, with regard to the labourers, their wages, as Mr Barnes has pointed out, are a discredit and disgrace to the Government. The men have petitioned

the Department—is it not time there was a more up-to-date and direct method of contact between the Admiralty and its employees?—but up to the present the petition has been treated with lordly unconcern, and the discontent is being allowed to spread in a way that bodes early and serious trouble.'

Is there any reasonable probability (apart from the consideration as to political pressure) of the State giving more satisfaction as an employer of railwaymen than it has been able to do as an employer of Post Office servants, Excise officers, and dockyard workers?

Hours of Labour.—Comparisons between railwaymen's wages on company lines in the United Kingdom and State lines abroad are difficult to make, and may even be wholly misleading, because of differences in the spending power of the money, the question of supplementary allowances or advantages, and other considerations. The fact that such frequent and such vigorous debates take place in the Belgian Parliament, for instance, on the subject of railway servants' wages, would suggest that the rates of pay given on the State railways there are not regarded as satisfactory from the Belgian standard, at least.

Hours of labour afford a safer guide for

judging of the general conditions in connection with the working of State railways, and on this point (as well as in regard to the wages question) much useful information will be found in the *Reports on Continental Railway Investigations* presented to the recent Board of Trade Railway Conference. One gathers from these reports that, whether or not a 48-hours' week would be obtained under State ownership in the United Kingdom, it has not yet been secured by the rank and file on the State railways of the Continent.

On the German State railways in general, the station staff have an average of eight and not exceeding ten hours if the duty is of a continuous or fatiguing nature, and an average of twelve and not exceeding fourteen hours in other cases, while where the traffic is very light the length of a shift may extend to sixteen hours. The daily duration of duty of a train crew should not exceed eleven hours *on a monthly average* (the significance of this term 'monthly average' is not to be overlooked), and any one shift must 'not exceed' sixteen hours. An engine crew's daily period of duty is limited to ten hours, again on a monthly average, or eleven where the traffic is light, and no one shift is to exceed sixteen hours, including rest intervals. Every official permanently employed in the operating service is to have at least two rest days a

month, but where the traffic is light only one rest day a month may be allowed. No extra pay is allowed for Sunday duty.

On the Belgian State railways the usual maximum length of duty for men in either the permanent way or the traffic department is twelve hours, but guards and train crews have thirteen hours on duty. They are entitled to eight hours' uninterrupted rest at their homes and to four days' rest, preferably on Sundays, in each month.

In Italy the duration of daily work on the State railways must not ordinarily exceed twelve hours, with seventeen hours as a maximum. In the case of engine-drivers and firemen, the average duration is not to exceed ten hours, days of rest, however, being included in the average. No single continuous turn of duty must exceed thirteen hours, or fourteen when the duty consists of short detached shifts with lengthy intervals. Guards (passenger and goods) and brakesmen may be employed for a daily average, including in such average the days of rest, of eleven hours, with a maximum of seventeen hours, or, with periods of leisure of not less than four hours' duration, nineteen hours, though the duration of any one continuous turn of duty must not exceed fifteen hours. The station staff may be on duty for ten hours when the work is very important, twelve hours when

it is of an ordinary character, and sixteen, or even seventeen, with intervals of rest of not more than one hour's duration. When the work is continuous for twelve hours an interval of one hour is allowed for refreshments, but without permission to leave the place of work.

In Austria-Hungary, subject to regulations as to the intervals of rest between the periods of duty, the hours worked are from twelve to sixteen on lines where there are regular day and night shifts, though in the changing of day and night shifts the hours of duty may be extended to eighteen. Where the work is of a less arduous nature than in the large stations, and especially where there are pauses, the hours of duty may be increased to eighteen hours.

Railwaymen in this country might be invited to say whether or not they would regard the conditions of labour on the State railways of the Continent any real improvement on company conditions here, so far, at least, as hours of labour are concerned. The position in the United Kingdom is that under Section 4 of the Regulation of Railways Act, 1889, the railway companies have to make regular returns to the Board of Trade of all periods of duty in excess of twelve hours worked by their men, such returns being supplemented by any additional statements and explanations

the companies may desire to furnish. To what extent the twelve hours' period of duty (which period may still include intervals of rest) is exceeded may be judged from the following figures, which give, for the months stated, the percentage of over-twelve-hours' periods of duty to the total number of days worked by the total number of men employed in the grades included in the returns (namely, guards, brakesmen, enginemen, signalmen, and examiners):—

Month.	Percentage.
April, 1910	·65
October, 1910	1·10
May, 1911	·54
June, 1912	1·00

Under company ownership a Government department can thus keep watch over the railwaymen, and see, both in their own interests and in those of the public, that they are not worked for unduly long hours without just cause or reason; whereas under State ownership and operation the Government themselves are the taskmasters, and may naturally be desirous of getting full value, in the way of long hours of labour, for the wages paid, so long as the public interests are not seriously prejudiced.

Effect on Number Employed.—What effect nationalisation would have on the number

of men employed on the wages staff (as distinct from the salaried staff) is a question on which different views have been expressed.

On the one hand, we have the fact that in the case of various State railways on the Continent, as well as in Australia, there has been a steady increase in the number of employees, apart from any proportionate increase either in traffic or in efficiency. A corresponding increase in the volume of employment on British railways might more especially be expected to follow from nationalisation here if the 48-hours' week and the principle of 'less work for more pay' were really established.

On the other hand, it must be borne in mind that one of the main arguments in support of railway nationalisation is based on the economies to be effected through unified State management, and that these economies are depended on for the extra resources out of which the higher wages, reduced hours, and lower rates are to be met. Among other things it is proposed that competing trains should no longer be run; that various carting and other supplementary services should be discontinued, and that reductions should be made in the staffs employed at receiving offices and goods depots, especially in towns now served by competing lines. If fewer

trains were run, this would mean that fewer engine-drivers, fewer guards, and fewer porters would be wanted, and so on with the other departments of the wages staff generally. Unless the hours of labour were so curtailed that the same number of men would be required as at present, to get through a smaller volume of work, then the reduced services and other economies would, in fact, necessarily involve a reduction in the staff if the railways were to be operated on commercial lines.

Referring in an address at Wolverhampton, in November, 1912, to the policy of amalgamation and co-operation carried out by the railway companies, Mr Walkden said the first-fruits of this policy had been that 'the number of men on the railways had been decreased by 12,591 in three years.' If, however, by adopting co-operation on the comparatively limited scale here in question, the railway companies have been able to reduce their staffs to so substantial an extent in three years without the slightest suggestion of any lessened efficiency, what would be the possible reduction, on the same scale, if the whole of the lines were worked by the State as a single system? Captain Heygate told the Leicestershire Chamber of Agriculture on December 16, 1912, when the subject of railway nationalisation was under discussion,

that 'the railway workers had better realise that, if nationalisation took place, about a third of them would be discharged.' This was probably an unduly high estimate; but it indicates the view that is taken of the situation by practical men.

State Servants and Politics.—Nor must the railway worker ignore the important political considerations that would necessarily arise if he had the State for his employer. There is an assumption that, under State ownership, wages questions or other labour conditions affecting railwaymen would be brought before the House of Commons for settlement. Mr Walkden, as we have seen, suggests that there would be Select Committees appointed to 'thrash out their troubles,' and that the Government would—or should—seek to make themselves popular with the masses by favouring the workers rather than vested interests. Writing in the *Catholic Herald* of September 2, 1911, shortly after the settlement of the railway strike in that year, Mr G. N. Barnes, M.P., said :—

> Were the railwaymen thoroughly organised they could soon force a good deal more than barren 'recognition,' because the country could not get on without them. . . . The moral of the strike is that the railways should be nationalised, and their continuous running secured by proper adjustment of differences.

But would the House of Commons be content to be made the arbiter of wages disputes, even in the case of State railways? It showed a strong disinclination to deal with the question of wages when invited to act as umpire between the parties to the dispute in the coal trade. Would it be any more ready to decide a controversy as to the wages of State railway servants? Would the House of Commons more especially be willing to enter upon debates such as these when it was already unable to find time enough to deal adequately with the questions of national or Imperial importance which properly fall within the purview of its deliberations?

Yet, even if the members of the House of Commons were reluctant to assume these additional responsibilities, they might find themselves in a difficult position, unless some fundamental changes were made in the political status of railwaymen when they became State servants.

The exact proportions of the 'railway vote' cannot be told. The total of 600,000 railway servants, commonly spoken of, includes many boys and non-householders who would have no vote. In addition, however, to these 600,000 men and boys actually engaged on railway operation, there is the large body of men employed in the locomotive, carriage, and other works. Looking at the situation

as a whole, the number of electors employed by or depending on the railway companies in one way or another would certainly not be below half a million, and it might be considerably higher. What would be the possible effect on the political situation of a railway vote of such magnitude as this?

In the railway towns—Crewe, Swindon, Derby, Preston, etc.—no Parliamentary candidate would have much chance of election who did not pledge himself to use his influence in Parliament to secure the concession of the demands put forward by the State's railway employees. If elected, he would become their delegate rather than their representative, and his special function would be to put their interests first and the interests of the country next. From this point of view the railway constituencies would be a repetition of the existing dockyard constituencies. Even in many other than actual railway towns, the railway vote might be sufficiently large to decide the result in favour of the candidate who made the best promises to the railwaymen.

The possibility of this electoral influence being exercised would obviously be greater with a State railway than is the case already in the Post Office service, inasmuch as the postal employees are more scattered throughout the country, and do not form distinct

communities, with the same opportunities for concentrating their influence, as would be found in the case of State railway servants.

In addition to the pressure that might be brought to bear on candidates by the State railway servants as electors, there is the possibility of bribes in the form of improvements in labour conditions being offered to the same body of electors by the candidates themselves. When the railway vote was all-important in a particular constituency, the rival candidates might well compete with one another in their promises to secure increased advantages for the workers; while in the case of a keenly-contested General Election it would not be surprising if the political head of the State Railway Department, knowing that the gain of the railway vote might ensure the success of his party, should take such action, or give such assurances, as might assist in the attainment of those ends.

Candidates, or even Governments, thus dependent for their success on the votes of State servants would, in turn, be expected to fulfil the promises they had made or the pledges they had given. The House of Commons, in spite of its natural reluctance to concern itself with wages questions, might find itself compelled to devote no inconsiderable portion of its time to debating a

mass of details concerning railway operation which in present circumstances would first be dealt with by the railway managers. There would even be the risk that the servants of the State might become in effect the masters of the State, or at least masters of the Government of the day.

As for the nationalised railways, these could hardly be operated to advantage under such conditions. Apart from concessions due to political influence in wages and hours of labour which might prejudice the financial results of operation, there would be the risk of frequent reference being made to Parliament concerning matters of discipline or other details, the discussion of which could not fail to weaken the authority of those whose action was appealed against. The making of appointments or promotions through political influence would further tend to lower the present high standard of railway management, while the whole working of the State railways would be more or less inextricably mixed up with politics.

No Guarantee Against Strikes.—Nor would State ownership and operation be any guarantee against strikes.

Much has been said as to the railway workers getting better conditions out of the State under a resort to nationalisation; but there has been no undertaking, promise, or

suggestion that they would give up their right to strike, or that they would not strike as readily under State as under company ownership and operation, if they did not get what they wanted.

They would certainly enter upon the new conditions with great hopes and anticipations. It would be assumed that the State, not being under any necessity to run the railways on commercial principles, would be able, or might be induced by the aforesaid political pressure, to make concessions to the workers on a scale not to be expected from private enterprise.

The demands thus made, or the expectations thus cherished, would be on a proportionately exaggerated scale—on such a scale, indeed, that they must needs be doomed to disappointment. However much a Government subject to the pressure of the railway vote might be disposed to give way, the British public would never tolerate the idea of the railways of the country being operated at a loss, and becoming a burden on traders and taxpayers, for the benefit of the railway servants, or merely as a means of checking labour troubles.

When the inevitable disappointment and disaffection came, would the fact that the railways were public instead of private property deter the workers from resorting to the

expedient of a strike, if it should be left in their power so to do?

The experiences in this respect of State railways in other countries are certainly not encouraging.

In Melbourne, Australia, there occurred in 1903 a strike on the Government railways which was directed, not to the obtaining of better conditions for the workers, but to securing the supremacy of the organised labour interests over the Government, in order that Labour might become the dominating factor in Victorian politics. The attempt, however, was frustrated by (1) the heartiness and the unanimity with which the citizens of Melbourne set themselves against any concession to the demands of the strikers; and (2) the introduction by the Government of a drastic Anti-Strike Bill, which speedily brought the trouble to an end by convincing the strikers that they were playing a losing game.

On the Hungarian State railways, in 1904, dissatisfaction arising out of the unwillingness of the Government to devote more than another £100,000 a year to improving the conditions of the workers, instead of the £440,000 a year that the demands made would have cost, led to a sudden and general railway strike. The movement was eventually suppressed because the Government were able

to call up the strikers as military reservists who were subject to a maximum term of ten years' imprisonment for disobedience, and to death by shooting for violent resistance to superiors.

More recently the labour troubles on the Italian railways have been no less marked under State ownership than they were under company control, while in the general railway strike which occurred in France in 1910 the situation was worse on the Western of France lines, recently acquired by the State, than on the lines still remaining under the control of companies. 'It was,' said *The Times* of October 8, 1911, in referring to the experiences of the State-Western of France, 'more acute, more obstinate, and accompanied by more acts of violence, and, to speak generally, discontent among the railwaymen appears to be more chronic on that line.' The State railway workers would seem, in fact, to have been quite disenchanted in regard to the benefits to themselves of nationalisation. 'The State as master,' some of them are reported to have said, 'is no better than any other capitalist.'

Even in England, experiences of the 'labour unrest' in 1911 showed that the municipalisation of the tramways was a factor of no consequence whatever in the maintenance of industrial peace. The strike of the tramway-

men in the employ of the Glasgow Corporation led to much violent strife at an early stage of the unrest period; the municipal tramway workers of Liverpool not only came out on strike but remained out after most of the other labour troubles in the country had been ended; and the London County Council tramwaymen also caught the strike contagion, and threatened to leave off work if they did not get a remedy for their own particular grievances.

We are thus forced to conclude that, if railway nationalisation were brought about, then (1) scope would be given for much political pressure and political corruption; (2) there would be a stirring up among the workers of exaggerated hopes which, in spite of such concessions as might be secured, would be mainly doomed to disappointment; and (3) the danger of strikes, increased under these conditions, would, in the absence of effective guarantees, be in no way diminished by the fact of State ownership.

It will be said that guarantees would be assured and precautions taken against the occurrence of the various dangers here indicated; and we may next proceed to consider (1) the nature of the precautionary measures that could be adopted, and (2) the effect they might have on the position of the railway workers.

THE RAILWAY VOTE.—The question as to what should be done in regard to the railway vote, when the railway workers became servants of the State, is one that must needs present exceptional difficulties in so democratic a country as the United Kingdom. Would it, for that reason, be wise to leave matters exactly as they are and assume, in the first place, that the State-railway workers would never attempt to make any unfair use of their electoral power, to their industrial advantage, and, in the next place, that neither candidates nor Governments would ever offer them bribes—or make them special promises—in order to obtain their support at the polls? A *laisser faire* policy such as this would really leave the possible weaknesses of human nature too much out of account. The risk of discredit to our political institutions and of injury to the interests of the community would alike be far too great.

In some countries where the system of State railways is in vogue the extreme expedient of disfranchising the railway workers has been adopted.

In Victoria, as the outcome of the strike in 1903, an Act was passed which deprived railway servants of their right to vote for candidates in the constituencies to which they belonged, and put them on a separate register, with power to elect two persons to represent

them on the Legislative Assembly and one on the Legislative Council. In 1906 this Act was repealed, and there was substituted for it another which prohibited all persons employed in the public service from taking part in any election, or in the political affairs, of the State of Victoria, otherwise than by recording their vote; enacted that no such person should, directly or indirectly, use or attempt to use any influence in respect to any matter affecting the remuneration or position in the public service of either himself or any other person; and further provided that, if any person so employed contravened these enactments, he might be fined any sum up to £10, be reduced in rank, or be dismissed from the service. These enactments are still in operation in Victoria.

Whether some such alternative as this to the two extremes of (1) *laisser-faire* and (2) disfranchisement would be practicable under a resort to State ownership and operation in this country is a matter on which no opinion need here be expressed. The onus of suggesting a scheme that would check the possible dangers, protect the public interest, and not be unduly restrictive on the State railway employees, rests upon those advocates of railway nationalisation who would create the situation that would have to be met.

Parliamentary Procedure.—If we look

next at the possible abuse of Parliamentary procedure in the special interests of railway servants in State employment, it might be suggested that an effective remedy in this respect would be found in a resort either to the Prussian system of bureaucratic management or to the Australian system of Railway Commissioners.

We have here to consider, however, that the British Parliament has always been extremely jealous of any proposal for delegating to another authority its own supreme control over the railways.

So far back as 1844 the setting up, under the presidency of Lord Dalhousie, and following on a report by Mr Gladstone's Committee, of a Special Department to the Board of Trade to inquire into and report on all new railway schemes, with the view of offering guidance to Private Bill Committees, was rendered of no effect because the members of those Committees resented the intervention of the Department and ignored its recommendations. This general attitude—apart from the appointment of the Railway and Canal Commission, for the discharge of judicial functions—has been maintained ever since, and there is no reason for supposing that, if the State did acquire the railways, Parliament would be disposed to adopt either the Prussian or the Australian precedent in

denying itself the right of supreme and direct control.

Even if it were willing so to act, there would always be the danger of its 'best laid schemes' being upset by the need of meeting some development or sudden emergency in the political situation.

Reference has already been made to the renewed attempts in 1912 to re-establish political control over the Government railways in New South Wales, notwithstanding the system of Railway Commissioners. These attempts were due to the supremacy of Labour interests in the State Parliament, and it is conceivable that, under like conditions here, precautions taken by one Parliament might be set aside in another in which Labour had the deciding vote.

The futility of depending on such guarantees as have yet been suggested against a possible abuse of Parliamentary procedure under railway nationalisation is sufficiently obvious; but once more the onus of recommending some course at once effective, practical, and likely to be accepted by Parliament itself must be left to the railway nationalisation party.

Precautions Against Strikes.—Other precautionary measures that would require to be adopted relate to the prevention of those strikes which, as already shown, would be

just as likely, if not still more likely, to occur under State as under company ownership, if the power to strike were allowed to be retained.

As the result of a conference held in London in February, 1913, the Amalgamated Society of Railway Servants, the General Railway Workers' Union, and the United Signalmen and Pointsmen's Society decided on a fusion of their forces under the title of the National Union of Railwaymen. Three unions, having an aggregate membership of about 188,000, and total funds amounting to some £466,000, will thus henceforth constitute a single body. A statement issued by the Labour Press Agency as to the aims of this new society says :—

> This is the first instance of any trade union adopting the Syndicalist idea of a union covering all sections of an industry, in preference to the old system of organisation by craft or trade. Of course, its object is to make it possible for the new society to call out practically every person in the employment of railway companies in the event of a strike, and severe penalties are to be imposed on those who refuse to respond.

How would the situation thus brought about be likely to affect the position of the State as the actual employer of these solidly-united workers? 'Recognition' of the railwaymen's unions by the State has hitherto

been regarded by them as a matter of course, if the nationalisation movement should succeed. Would the State really concede such 'recognition,' or would it, rather, seek to curtail its employees' rights both to collective bargaining and to a resort to strikes when such bargaining failed?

If the precedents established by various other countries should be followed here, then the workers might find (1) that they were either required not to belong to any labour union at all, or that they were allowed to do so only under conditions which would deprive the unions of much of their present power; and (2) that in any case the right to strike would be taken from them.

Civil and Industrial Rights.—Reverting once more to the example of Prussia, which our railway nationalisation advocates always hold up to us as one we should follow, English railway servants might be invited to consider what—apart altogether from the question of those 'available profits' which do not specially concern them—the actual position of railwaymen is in that country under conditions of State employment.

For information as to Prussian State railway servants' electoral rights we may turn to *The Railway Review*, the official organ of the Amalgamated Society of Railway Servants, wherein Mr J. F. Mills says, in the course of

an article on 'German State Enterprise and German Officialdom,' published on October 4, 1912 :—

No journalist who treats of the Prussian railway system would be doing his duty if he failed to emphasise the anti-democratic attitude of the Government towards its railway employees, which constitutes the one great and glaring evil. The Government's feudal conceptions may be realised from the fact that it regards its employees as bound to it body and soul, politically as well as industrially; and the open voting system, which still prevails in Prussian State elections as it did in England half a century ago, places a terrible power for penalisation in the hands of the State authorities should the State employees choose to vote for candidates of whom the Government does not approve. In fact, for State employees to exercise the elementary right of citizenship by voting for the candidate and the policy most in accord with their own views is to run the risk of forfeiting their posts and jeopardising their livelihood. . . .

A very recent manifestation of the Ministerial attitude towards railway employees serves as an illustration of the feudal attitude of the Government. The Minister for Railways has lately issued a declaration in which he affirmed it to be the 'patriotic duty of all citizens loyal to the State to make use of their vote.' Why did he do this? Simply because a by-election is pending in one of the electoral districts of Berlin, and the apparently innocent declaration was meant as a good broad hint to State employees who have votes in the district to record them for the candidate of whom the Minister for Railways is good enough to approve. It is a pleasure to state that this act of Ministerial effrontery has been countered by a public meeting, crowded with

railway employees, at which the sense of indignation was voiced by Labour leaders in unmistakable terms. The Minister for Railways has been given to understand that what the State employees desire of him is not advice as to the way they should vote, but a raising of the scale of pay in order to enable them to cope with the terribly increased cost of living imposed upon them to an enormous extent by the Imperial Government as a direct result of its Protectionist policy. In short, the Minister was given clearly to understand that his declaration to men who had served the State loyally for fifteen or twenty years with no reward beyond a wretched remuneration of 1100 marks (or £55 yearly), and an additional burden in the shape of a huge increase in the price of the necessaries of life, was simply adding insult to injury.

Concerning the rights of German railway workers to combine, a semi-official document which was reproduced in the *Münchener Neueste Nachrichten* of September 5, 1911, stated that the Prussian Minister of Public Works had, as head of the management of the Imperial Railways (Alsace-Lorraine), received at Montigny, near Metz, the committee of workmen of the chief railway workshops, and had expressed to them his views concerning their labour unions. The report continued :—

He laid stress upon the high value he set upon the workmen's committees (*Arbeiterausschussen*). Their task was to improve the relations between their fellow-workmen and the management. To that was to be added the duty of not putting forward indiscriminately the wishes of their fellow-workers, but

of testing also their capability of being fulfilled. So far as concerned the existence of their union, a large number of workmen's unions were free to push their activities in the sphere of his jurisdiction. But the indispensable condition was that they should keep themselves aloof from the propaganda of the Social Democrats, should abstain from employing strikes as a means of putting forward any of their claims, and should conform to order and discipline. He was sorry that the Alsace-Lorraine union had already in the short period of its existence given cause for serious objections. Should no change take place in the attitude of the union, the management would employ all the means at its command and make it clear that membership of the union was incompatible with the continued existence of the relation of employer and employed.

These observations, as will be seen, were addressed to the men employed in the railway workshops ; yet even they, though not engaged in operation, are required to abstain from strikes, and are, in effect, threatened that unless they mend their ways they will have to leave either the unions or the service. If this is the treatment to which ordinary workshop employees are liable in Germany, those concerned in actual operation of the German State railways have no occasion for surprise if they should find themselves practically prohibited from the exercise of any freedom at all in the way of industrial organisation, and more especially of industrial warfare with their State employer.

Another example of bureaucratic methods is afforded by an incident which occurred in connection with the State railways of Saxony in 1910. A certain member of the Saxon Parliament, formerly in the railway service, convened a series of public meetings in various railway centres, and issued a special invitation to railwaymen to be present. The State Railway Administration thereupon warned the men to refrain from attending the meetings, 'in order to avoid dismissal'; but a number of them, determined to uphold their civil rights, did so attend. Thirteen were summarily dismissed, and, although a strong protest was raised in the Saxon Parliament, the Railway Minister maintained his ground and the discharge of the men was upheld, the Minister saying that, inasmuch as the Administration 'could in no way permit' its employees to join a railwaymen's trade union, it could no less allow them to take part in meetings convened for the purpose of inducing them to join a trade union. The men had been forbidden by official notices to attend the meetings, and the Administration felt obliged to dismiss a number of those who disobeyed ; but 'mercy would be shown' to others who, perhaps, were 'not fully conscious of the prohibited nature of their action.'

Notwithstanding the protests which, as

we see, are actually made, the restrictions thus enforced on railwaymen in Germany may be less keenly felt there than they would be here (1) because of the sense of discipline which has been ingrained into the German nation for generations past, and (2) because a considerable proportion of the German railway servants have had an army training which makes them more inclined to submit to an exercise of authority that, even on the State railways, is to all intents and purposes of a military type. Many, again, are still liable to be recalled into the Army service at any time, and they would, no doubt, be so recalled at once (with the prospect, in that event, of a death penalty for insubordination) if they should presume to work up one of those 'general railway stoppages' which are freely spoken of in this country, even when it is a matter of dealing with the grievances of a single railwayman.

Germany, however, is far from being the only country where restrictions are imposed on the civil, political, and industrial liberties of State-railway workers. In Hungary, employees on the State railway who leave work without giving notice are liable to three years' imprisonment. In Italy the Government, on resorting to nationalisation of the lines, gave notice that the railway employees would be regarded as public servants, and

that any of them who failed to perform his duties would be dismissed ; while, as the outcome of the railway strike at Milan on October 12, 1907, sixteen employees were dismissed, 114 were reduced in rank, 640 had their increase in pay reduced for two years and 5760 for one year, and 242 were suspended for from six to twelve days with loss of pay.

Nor is it only in Continental countries that such conditions are found in connection with the operation of State or Government railways.

The Anti-Strike Bill which (without being actually passed) broke down the railway strike in Melbourne, in 1903, provided, among other things, that railway servants who left their employment without giving fourteen days' notice were to be liable to a fine of £100, or one year's imprisonment, with loss of pensions and disqualification from further service under the State; the Railway Minister was to be empowered to fill up the places of the strikers by appointing other men under a guarantee both of two years' work and of protection ; penalties were to be imposed on persons who interfered in any way with railway workers ; the collection or the distribution of funds for the strikers was declared illegal ; and the police were to be authorised to destroy all printed documents in support of the strike, and also to disperse any assembly

of strikers attended by more than four persons.

In South Africa the occurrence of agitations among the men employed on the Government railways led, in 1905, to the manager of the Central South African Railway issuing a circular in which he said :—'Any employee who is found to be a member of a political association of any kind will be required to sever his connection with the service;' while the Cape Government Railways gave notice that 'Any workman detected in attempting to coerce his fellow-workmen (or in concocting plans for that purpose) to become a member of any trade union, club, or society, or annoying them because they are not members, will be dismissed.'

These facts should bring home to the mind of the British railway servant the conviction that, while the possibility of his deriving any direct advantage for himself from railway nationalisation is problematical, there is, on the other hand, a great probability that, if he became a servant of the State, some very material changes would, in the interests both of Parliament and of the nation, have to be made in his rights as a citizen, as a worker, and more especially as a trade unionist.

CHAPTER VI

INTERESTS OF THE PUBLIC

PASSING on from the interests of the railway workers as a class to those of the public in general, we may now inquire to what extent the latter would probably be either benefited or prejudiced by a resort to State ownership and operation of the railways—assuming that such a policy were found practicable from those financial points of view which have still to be considered.

ATTITUDE OF TRADERS.—Hitherto the traders of the country, whatever their grievances against the railway companies, have shown no particular enthusiasm on their own part for the nationalisation scheme which is expected to ensure the 'salvation' of the railwaymen.

At the annual meeting of the Associated Chambers of Commerce in March, 1909, Mr Cunningham, Dunfermline, an active advocate of railway nationalisation, and the author of a book on the subject, brought forward a resolution from his Chamber asking for the appointment of a Royal Commission to inquire into the management of the

railways and to ascertain whether it would not be in the general interest to nationalise them. Mr Hobson, Sheffield, however, described the proposal as 'a thinly-veiled form of Socialism, and as mad a scheme as could be put forward,' and the proposal was rejected almost unanimously. In 1912, Mr Cunningham again brought up his resolution in favour of the appointment of a Royal Commission, but once more the Associated Chambers rejected it by a large majority.

The Leicestershire Chamber of Agriculture discussed at its meeting on December 16, 1911, a resolution proposed by one of its members in favour of railway nationalisation; but the mover and seconder alone voted for the motion, which was defeated by an almost unanimous vote of the Chamber.

Still further significant of the attitude of traders in general is the fact that in the issue of *Commercial Intelligence* for May 29, 1912, it was said, in reference to the deputation from the Parliamentary Committee of the Trade Union Congress which had waited on Mr Asquith :—

> There is little popular interest in railway nationalisation . . . while the business community, whom it most concerns, are distinctly averse to State ownership, and might actively oppose it.

State Management.—Looking at the question as a matter of principle, there is no

reason why business men should consider that other men of business, known as railway managers, are less fitted than politicians and State officials to conduct a business undertaking such as a railway undoubtedly is, with its implied obligations to raise in the form of revenue sufficient, at least, to cover working expenses and yield a fair return on capital invested.

Much has been said by supporters of railway nationalisation concerning the successful management of the Post Office from a public point of view, and apart from any dissatisfaction on the part of the postal workers. But the Post Office, with its absolute monopoly as regards all postal business (except parcels), with its uniform rates for the entire United Kingdom, and with its reliance upon the railways for its chief means of distributing postal matter, is a much simpler business proposition than railways. These have to incur enormous capital expenditure for land, track, rolling stock, etc., and are obliged, by the necessities of railway economics, to charge a great variety of rates and fares under conditions that are non-existent in the case of the Post Office.

It has to be remembered that almost every improvement introduced into the Post Office —from the time of the substitution of mail coaches for post-boys downwards—has been

due, not to the initiative of State officials, but to the inventions of outsiders or to the pressure of public opinion. Many of the improvements made have even been brought about, not with the sympathy and support of the Post Office officials, but in spite of their active opposition.

Like State departments in general, the Post Office, when disposed to accept innovations at all, is much more likely to utilise, if not actually to annex, the discoveries or the ideas of outsiders than to make discoveries for itself or conceive entirely new ideas of its own. The Post Office had nothing whatever to do with the inauguration of the railway system, on which it is now so materially dependent, though it did, in 1837 (as told in my *History of Inland Transport*, pp. 264–5), seek practically to control the railways, in its own particular interests, and at the cost of the shareholders, in return for what would have been little more than nominal payments. Nor did the Post Office invent the telegraphs or the telephones, which it has taken over without achieving any specially brilliant results in the way of financial management.

It is indeed quite possible that if the country had depended exclusively on the State—that is to say, on politicians and State officials—for its progress in matters of

transport and communication, the long succession of improvements brought about successively by mail coaches, canals, railways, omnibuses, tramways, motor vehicles, telegraphs, telephones, and district messenger services—all originating outside State departments—might never have been effected at all.

As for public management in general, business men may well ask themselves if the results achieved by the majority of the enterprises undertaken of late years by local authorities have really been more successful (when full allowance has been made in respect to methods of municipal book-keeping and other financial considerations) than could have been shown by companies operating on strictly commercial lines.

Leaving the general for the particular, would business men stand to gain by the substitution of State for company ownership and operation of railways?

Competition.—To begin with, some of the traders complain already of the decreasing element of railway competition; but if all the lines in the United Kingdom were owned by the State there would be no rail competition left at all.

On the Continent there is a great deal of competition between the State railways of different countries in respect to import,

export, or transit traffic. The Prussian State railway, for instance, is forced to concede low rates on much traffic of these classes in order to retain or to secure it for its own lines and avoid its diversion to competitive routes via Holland, Belgium, France, Switzerland, Italy, or Austria.

These conditions would not be found under State ownership here, owing to our insular position, and not only would there not be the same reason for a British State Railway Administration giving the extremely low export rates which are available in Continental countries, but the absence of all rail competition would lead to our own State railway having a monopoly (apart from road, canal, and sea competition) such as none of the Continental State systems are able to claim.

The State officials in charge of the nationalised railways in England would therefore not have even the same incentive as Continental State railway managements for offering special inducements to traders to consign by their particular route. It is admitted that, under company ownership in the United Kingdom, the active competition for traffic has been extremely beneficial to the public, even when there has been no competition in rates, and even though the results have led to much waste for the companies. But State

railway officials would no longer need to fetch or to seek for the traffic. They would wait for it to be brought to them, since they would know that if it went by rail at all it must needs go by the State system.

Would there not, in these circumstances, be the risk that the present activity—costly to the companies, but of benefit to the traders—might give way to a stagnation which, while saving expense to the State railways, would deprive the traders of many of the advantages they now enjoy?

TRANSIT AND DELIVERY.—Nor would the State railways need to offer any special facilities for the quick transit or the speedy delivery of traffic when they had got it.

The Continental example in regard to State operation, as well as State ownership, might be followed. In this case the State Railway Administration would be able to say that a trader who handed in goods at Manchester on a Monday afternoon, for transport to London at the ordinary rates, would have no claim against them for delay provided the consignment reached its destination by twelve o'clock on the following Saturday night. It is not suggested that the Prussian State railways, for example, take this length of time, in actual practice, as between important stations; but this would be their allowable time limit.

One of the most practical measures, in fact, that a nationalised system of railways in this country could adopt for effecting those economies to which the railwaymen attach so much importance would be found in keeping back consignments for one or two days, in order to make up full truck loads for through transit, instead of continuing the policy of prompt despatch now followed by the companies.

There would be the more reason why a State railway monopoly should adopt this course, because the traders would no longer have the advantage of a competing and alternative rail route. They would be at the mercy of the State railway officials, while, if the procedure in question were adopted—in the interest of economies—they might be under the further necessity of having to reorganise their businesses.

Retail shopkeepers there are who now keep only very small stocks—or even, in the case of tailors and dressmakers, not much more than collections of patterns—and telegraph or telephone one day to the wholesale dealer in London, Manchester, or Glasgow for supplies which they fully expect to receive by rail the next day. Whether or not the railway companies can make up a 'paying load' does not concern them. They conduct their business on these lines, and, unless they

can have their demands met on a system of practically express delivery, they would require to keep larger stocks, have larger premises, and employ a greater amount of capital, or, alternatively, keep their customers waiting longer. In course of time matters would, possibly, adjust themselves to the working of a State-railway system as 'made in Germany' and following more or less the German method; but the intervening period would necessarily be one of much confusion and inconvenience to the trading world.

Various other considerations, which might be of no less importance if the railways should pass under the ownership and operation of the State, call for the attention of the trader before he decides to endorse any such policy.

Increases of Rates.—Under existing conditions, if a railway company should raise any of its rates even within the maxima already authorised by Parliament it may be called upon to 'justify' such increase before the Board of Trade, with power to appeal on the part of the trader to the Railway and Canal Commissioners, the onus of proof that the increase is a reasonable one being left with the company.

Would like restrictions and a similar obligation be imposed on the State Railway Administration if the railways were nationalised?

Assuredly such would not be the case if the example of State-owned railways elsewhere should be followed. In Germany, for instance, there is no Court of Appeal against an increase of rates on a State railway—apart from any protest made in Parliament. The adoption of a like principle here, on a resort to railway nationalisation, would certainly lead to the disappearance of a restriction which, since it was imposed in 1894, has done much to discourage railway companies from conceding experimental rates. It would also involve the loss by the traders of an important power of appeal in regard to any increase whatsoever in the rates already in force.

It might be said that there would still be the power of appeal to Parliament against increases of rates by a Railway Minister or a State Railway Administration free from the control, in regard thereto, of the Railway and Canal Commission. But, as against this, there is at least the possibility that a Chancellor of the Exchequer, looking to the State railways as a source of revenue, might induce Parliament to consent to a raising of railway rates as an alternative to additional taxation.

Special Rates.—Then it is already a subject of complaint with British traders that when they want a special rate, to meet perhaps

some new development likely to bring business to themselves and traffic to the companies, it may take several weeks before they can get the desired quotation. Such delay should not arise when only a single company is concerned, as in that case the matter can generally be decided at once by the company's officers; but the said delay may occur when several companies have to be consulted and various complications affecting one or more of them have to be met or provided for.

The fact that delays do result from this need to take the views of different companies is regarded in railway circles as a further argument in favour of amalgamations since, the fewer companies there are, the fewer there would be to consult and arrange with under these particular conditions.

To this it may be replied by nationalisation advocates that, if all the lines were controlled by the State, any need for delay in regard to consultations would be done away with at once; and, theoretically, this would appear to be the case. One should not, however, overlook what happens on the Prussian State railway when a deviation from the existing tariff is sought for. Mr C. H. Pearson and Mr Nicholas S. Reyntiens say on the subject, in their report on 'Railways in Germany' to the Board of Trade Railway Conference :—

In the first instance application has to be made to the local Railway Direction concerned, setting forth in full the reasons for the request, with complete statistical details as to the effect of the existing tariffs and the necessity for reduction in the charges, not only from the individual standpoint, but as affecting the whole of the particular industry in that district. The effect of a change upon similar industries in competition (if such exist) in other parts of the State must also be touched upon.

The matter is then considered by the president of the local Railway Direction, and if it should only affect his own particular district, it is within his powers to decide the question on his own responsibility or to arrange for the subject to be brought before the District Railway Council (if the president favourably regards the proposal, that is the usual course adopted).

If the question is of general national importance it must be referred to the Minister, who again at his discretion may refer the matter to the General Railway Council (this latter is, of course, the rule in those States where District Railway Councils do not exist). Obviously this procedure entails considerable delay, as the Councils or their committees can only meet at fairly long intervals, and if the Minister, on his own responsibility, does not see his way to grant the reduced rate, and very rarely does he do so, considerable time is involved, instances being known not only of a delay of months but of a year or more.

It is not suggested that all this procedure would necessarily be followed here; but the example offered indicates the natural tendencies of bureaucratic control, and British traders who have already had experience of

official routine in dealing with Government departments may be left to decide for themselves whether the relegation of railway matters to a like routine would or would not be any improvement on existing conditions, whatever they may consider the shortcomings of the latter.

Advisory Councils.—One great advantage that Prussian traders are assumed to derive from their State railway system is found in the existence of 'Advisory Councils,' appointed to assist the various Railway Directions into which the State system is divided, in the general consideration of tariff and traffic questions. These District Advisory Councils are supplemented by a General Advisory Council which in turn assists the responsible Minister. In the smaller German States there is a Central Advisory Council, without District Councils as in Prussia.

Theoretically the system—which originated in 1874, when the Chambers of Commerce in Mülhausen petitioned the General Direction of the Alsace-Lorraine Railways in Strasburg to hear the views of representatives of trade, commerce, and industry at meetings to be held at regular intervals—is excellent. The nine District Councils in Prussia are composed of representatives of commerce, industry, agriculture, and forestry elected for three-year periods by Chambers of Commerce,

commercial associations, agricultural societies, industrial unions, etc., and they are to be consulted by the respective local Railway Directions on all matters of importance concerning the fixing or alteration of time-tables and tariffs. The General Advisory Council consists of a President and his deputy, nominated by the King, and members appointed by different Ministers, or representing various districts, cities, or provinces.

It is, however, pointed out by Mr Pearson and Mr Reyntiens, in their report to the Board of Trade Railway Conference, that these Councils are only advisory in the true sense of the word 'advisory'; they have no authority whatever over the Railway Administrations. The members of the Council can, on giving notice to the Railway Direction, bring up for discussion such subjects as are, in their opinion, necessary; but in the majority of cases the agenda contains only such subjects as the Railway Direction desires to bring forward. Nor are the opportunities for consultation of great frequency, the meetings of the District Councils being held half-yearly, and those of the General Council (which deals with matters of national rather than of local importance) as required. The system, we are told, 'is held in favourable esteem by the public as exercising, if not actual, yet a certain moral pressure on the

authorities'; although 'in some quarters a very strong suspicion is held that the Councils are a useful scapegoat for unpleasant refusals on the part of the railway authorities.'

If our own railways were to be nationalised on the Continental model these Advisory Councils would, possibly, if not probably, be created as part of the State railway organisation; and the interesting question for British traders arises as to whether or not the innovation would offer them any advantage over their present relations with the railway companies.

In the Minutes of Evidence taken before the Departmental Committee of the Board of Trade on Railway Agreements and Amalgamations there will be found the views of various railway managers in regard to this particular subject. Sir Frank Ree, now general manager and formerly chief goods manager of the London and North Western Railway, said, for instance, in the course of his examination :—

> The chief officers and the district officers of the companies are continually meeting the traders in conference in London at the Railway Clearing House and other places, and I have never known railway companies to decline to meet the traders. In addition to this there is an army of representatives constantly in touch with the traders, to study their requirements, and to meet them as far as they possibly can. To have Advisory Councils, as suggested, in addition

to this, would not only be unnecessary but would have positive disadvantages. . . . I have had the pleasure of meeting hundreds and hundreds of deputations. . . . We have had deputations from every trade . . . and they have the freest access to us individually as well as collectively at the Clearing House. Our offices are always open to them. Not only that, but everybody has, in a district, not one but several officers who have, certainly on the North-Western, the fullest power that it is possible to give to a district officer. . . . Our district officers are men of position, and men who are able, and have power, to deal with all matters short of something which is general policy.

Sir Charles Owens, then (1910) general manager of the London and South Western Railway Company, said :—

It is altogether a mistaken idea to think that the railway companies are not, through their officers, in the most constant contact with the traders. . . . Railway managers nearly always arrange their conferences with different traders at different times. When I was goods manager I always put aside Monday for seeing the corn merchants and farmers, and I saw a large number of them. That is the sort of practice which is followed by all railway managers where they have a particularly big industry. It is a common thing for them to devote the particular market day of that industry to seeing representatives, and from friendly conferences such as these much better results are, and will be, achieved than by any compulsory conference. . . . We have had fruit associations, agricultural associations, and so on, frequently at the Clearing House. The general managers never refuse a body of any importance who

seek an interview with them an opportunity of seeing them at one of their quarterly conferences. . . . My own feeling is, and always has been, that the best settlements are effected between the companies directly concerned and the traders directly concerned. That is the result of many years' practical experience as a manager.

Then Sir Sam Fay, general manager of the Great Central Railway, when asked about the Advisory Councils in Germany, said :—

I do not think that idea would work in England. . . . The circumstances in this country are so very different. . . . If you had an Advisory Council for, say, the north of England, and another for the west, you would have two sets of people with entirely diverse interests on rates. You would have people in the west of England—in South Wales, for instance—with a business competing with the people in the north who would be on the Advisory Council there. You do not get that sort of thing in Germany in the same sense. It is a much bigger country, and there is not, perhaps, the same competition.

It may be left to British traders to say for themselves whether or not they consider the system of Advisory Councils, however well suited it may be to German conditions, would be any real improvement on the system now in vogue, as here described, of railway companies' officers always in close touch with them and of conferences between the particular traders and the particular railway or railway

officers concerned in any matter on which the former may desire to make representation. Certainly there is no suggestion that, in the management and operation of a State railway, in Germany or elsewhere, anything like the same closeness of touch and the same frequency of friendly rather than of compulsory conferences with the railway officers can be found as is shown by the evidence of the railway witnesses, quoted above, to be the case in this country.

The existing relations could hardly be expected to continue when, under nationalisation, the railway companies—each with its own district, and its special concern to serve the traders located therein—had given place to a State Railway Administration no more interested in one locality, or in one set of traders, than another, and far less likely, therefore, to encourage the same frequency of intercourse with the traders, or even to show the same degree of sympathy when its conferences with them did take place.

State Railways and Parcel Post.—A further assumption as to the advantages traders may derive from the State ownership of railways is contained in a letter from Mr Emil Davies, chairman of the Railway Nationalisation Society, published in *The Times* of March 1, 1913.

'It is not generally known,' Mr Davies

wrote, 'that in countries where the State works the railways and Post Office in conjunction it is possible to send by ordinary parcel post, at low rates, packages weighing up to one cwt. . . . The advantage to traders of being able to despatch and receive parcels of merchandise of this size at a low uniform rate without regard to the nature of the contents is inestimable.' The inference the average reader would draw from the statement here made is that the conditions in question are directly due to the operation of the railways by the State, and traders are evidently expected to find in such conditions a still further argument in favour of railway nationalisation.

Taking Prussia as a typical country, the actual facts are that the obligation there to carry postal matter either at very low rates or entirely free of charge was imposed on the pioneer railway companies so far back as 1885 as one of the terms of the concessions granted to them; and like obligations were accepted by succeeding companies down to the time when the private lines were acquired by the Prussian Government. In 1875 the general position was more clearly defined by a law which enacted that to every train run as one of the ordinary services on the railway the Post Office should have the right to attach, free of charge, one postal van

containing postal matter of all kinds, provided that the weight of each separate packet or parcel did not exceed 10 kilos (22 lb.). Payment was to be made for any that were over that weight, and also for supplementary vans. Not only, too, were Post Office servants to travel in such van without payment, but the railway companies were also required to bring them back, without payment, on their return from a journey made on Post Office business.

The requirements thus devolving on the railway companies had to be taken over by the State Railway Administration, in turn, when the various lines were acquired by the Prussian Government; though there came a time when the obligations to which the companies had submitted were strongly resented by the Administration. Inasmuch as (according to Dr C. H. Hull, author of *Die Deutsche Reichspacket Post*) only about four per cent. of the postal parcels exceeded the free limit of 10 kilos, and thus had to be paid for, the enforcement of the obligation meant that the State Railways Administration—like the railway companies under the old conditions—were doing a vast amount of work for the Post Office gratuitously. In January, 1905, the State Railway Administration made a vigorous but futile complaint, representing that the payments to them by the Post

Office in a single year failed to cover the actual expenses incurred in connection with the postal service by over £1,500,000.

One sees, therefore, (1) that the low rates for the parcel post in Prussia, at least, are not attributable to State ownership of the railways, and (2) that the rates may well be low when the traffic is carried under the conditions stated. In connection with the rates actually charged it should be further remembered, as a matter of detail, that in Germany the parcel post charges do not include delivery, which must be paid for as an extra unless the traders send for their parcels to the Post Office.

While, again, it is quite true that postal parcels can be despatched up to 50 kilos (110 lb.), a material factor in the situation is that the country is divided into six zones, the rates varying according to the distance carried. A parcel weighing 5 kilos (11 lb.) goes, however, any distance for 50 pfennigs, and what happens, in effect, is that the Prussian trader sends, when he can, various 5-kilo parcels at the sixpenny rate, in preference to larger parcels at the higher rate, thus effecting a material saving for himself, and enabling the Post Office to get their free transport by rail within the 10-kilo parcel limit, though greatly increasing the amount of work to be done in handling the traffic.

The use of the parcel post, under these various conditions, is resorted to the more readily by German traders because of the much heavier railway rates which—as distinct from the ordinary slow-service goods rates—would have to be paid to the railway itself for an express service approximating either to that of the Post Office or to that which the British railway companies provide at their ordinary rate for parcels.

There is thus a double loss to the State railways—(1) they lose by having to carry Post Office matter free, or at unremunerative rates; and (2) they lose the additional revenue they would obtain if the parcels actually carried by them were consigned by rail by the senders instead of being sent by parcel post.

Not only is there no connection, in this typical example of Prussia, between State ownership of railways and low parcel post rates (and like conditions would probably be found in other Continental countries where the railways have been taken over by the State from private companies), but the suggestion might also be made that, although traders who can keep their consignments within the aforesaid parcel post limits may gain by getting their transport at less than cost price, the loss resulting therefrom to the State railways must needs be made good by

the traders whose goods have to be despatched in other than 5-kilo or 50-kilo lots.

Complaints.—Among the other questions that traders may well consider when they are invited to assent to the scheme of railway nationalisation is the possible effect upon themselves in the matter of complaints.

The present position in regard to complaints is based on Section 31 of the Railway and Canal Traffic Act, 1888, and Section 1 of the Act of 1894. The former provides that—

(1) Whenever any person receiving, or sending, or desiring to send goods by any railway is of opinion that the railway company is charging him an unfair or an unreasonable rate of charge, or is in any other respect treating him in an oppressive or unreasonable manner, such person may complain to the Board of Trade.

(2) The Board of Trade, if they think that there is reasonable ground for complaint, may thereupon call upon the railway company for an explanation, and endeavour to settle amicably the differences between the complainant and the railway company.

Section 1 of the Act of 1894 provides that complaint may be made to the Board of Trade of the unreasonableness of any rate or charge directly or indirectly increased since December 31, 1892, and, if the Board are unable to effect an amicable settlement, the complainant may submit his complaint to the Railway and Canal Commissioners for adjudication.

These provisions would seem to offer effective guarantees to the traders for the due consideration of any grievances they may entertain against the railway companies; but would the traders have the same guarantee as against a State Railway Administration?

That a department of the State should be a Court of Appeal for the traders as against the railway companies, in case of need, is perfectly right and proper; but would it be practicable for one State department to sit in judgment over another? We really cannot take it for granted that the Board of Trade would have the same powers in relation to a State Railway Administration which it already exercises over the railway companies. Supposing then that under nationalisation the Board no longer constituted a Court of Appeal for the traders, what remedy would be open to the latter—assuming that they might, at times, still consider they had 'reasonable cause for complaint'?

If the only course then open to them lay in a complaint to the Railway Administration itself, this would mean that the defendants would sit in judgment on their own case, and the traders would cease to have the advantage of an impartial intermediary. The Railway and Canal Commission, as at present constituted, deals with questions of a legal character,

and would require to be reconstructed if it had to take over the particular functions in respect to traders' grievances now so usefully discharged in regard to general transport questions by the Board of Trade. As for a direct reference to Parliament whenever a trader could not get satisfaction from the State Railway Administration, that would be a remedy which members of the House of Commons whose powers of physical endurance are overtaxed by the arduous nature of their present labours might well regard with alarm; though, failing other measures, there would be a great risk under railway nationalisation of the House becoming the Court of Appeal not only for State railway servants, but for dissatisfied traders as well.

It certainly is the case that the number of complaints now made to the Board of Trade under Section 31 of the Act of 1888 is infinitesimal when compared with the magnitude of the business done by the railways. These complaints fall under the head of (*a*) rates unreasonable or excessive in themselves; (*b*) undue preference; (*c*) rates unreasonably increased; (*d*) classification; (*e*) (1) delay in transit, (2) liability, (3) rebates, (4) through rates, (5) miscellaneous; but the actual number of such complaints made in 1910–1 (including six against canal companies) was only 284. In 88 of these 284 cases a settlement,

or partial settlement, was arrived at; in 97 the complaints were not proceeded with; in 98 an amicable settlement could not be effected, and in one the proceedings had not been completed. 'In certain of the cases in which an amicable settlement was not reached, it seemed clear to the Board of Trade,' the official report says, 'that the complainants had no real ground for complaint.'

When we bear in mind that in 1911 the railway companies of the United Kingdom carried 409,800,000 tons of minerals, and 113,700,000 tons of general merchandise; that their total receipts from goods traffic amounted to £63,285,000; that their goods trains travelled a total of 156,500,000 miles, and that their separate transactions with traders, in carrying this huge traffic, must have numbered hundreds of millions, the fact that the complaints made to the Board of Trade—involving no expense to the trader, and including those that were either frivolous or capable of amicable adjustment—were so relatively few in number certainly does not suggest that there are any such widespread grievances on the part of traders against the railway companies as would, in themselves, warrant a resort to the enormously costly and wholly uncertain expedient of State purchase and State operation as a means of remedying them.

One reason for the smallness of the number of complaints to the Board of Trade may be that, owing to the generally friendly relations which exist between the traders and the companies, a vast proportion of the differences that naturally do arise from time to time are settled by the parties themselves as the result of conferences or negotiations. Thus in his evidence before the Departmental Committee on Railway Agreements and Amalgamations, Sir Charles Owens further said :—

> After all, the Board of Trade have only dealt on an average with about 200 cases during the year for the past two years, and the cases which we have had with traders, which we settle satisfactorily, go by the thousand during the year, or many thousand possibly.

Whether or not the same ready settlement would continue when the traders had to deal with State officials instead of with railway companies is a matter on which the reader may again be left to form his own judgment.

Owners' Risk.—One fertile source of complaint on the part of traders has arisen on the question of 'owners' risk,' and especially so since the companies have been less ready to meet what they may regard as unfair claims than they were in the days when

they carried on a keener competition between themselves.

Without going fully into the general question on the present occasion, I might suggest that traders who look to railway nationalisation as a means of providing them with a remedy in regard to owners' risk are not likely to derive much encouragement from the example of the State railway system in, for example, Prussia.

It is true that on the Prussian State railways the Administration nominally take the risk in return for what are the equivalent of 'company's risk' rates in this country, separate 'owners' risk' rates not being in operation. What happens, however, in practice, is that unless the goods consigned are packed in such a way that it would be almost impossible, under ordinary circumstances, for them to get damaged, the railway authorities will only undertake their transport on being given by the sender either a special or, by previous arrangement, a general declaration of inadequate or absence of packing. This declaration indemnifies the railway against all claims, and gives the sender, in effect, unless he should pay extra for insurance, 'owners' risk' transport for a 'company's risk' rate.

The special declaration, for separate consignments, is in the following form :—

The Goods Depot of the Railway, at , has, at my (our) request, accepted from me (us), for transport to , consignments which are indicated on the consignment note as follows :—

(Details.)

I (we) hereby expressly recognise the fact that these consignments are

unpacked,*

in the following respects not sufficiently packed,

(Details.)

which condition has been duly specified on the consignment note.

(Signature and date.)

* The word 'unpacked,' or the words 'in the following respects not sufficiently packed,' should be struck out according to circumstances.

When various parcels or packages are included in one consignment, this declaration need only apply to those which are either unpacked or insufficiently packed.

Once more the British trader may ask what, under a resort to railway nationalisation here, would be the probable course of procedure to be adopted by the State Railway Administration on this particular question.

Would the German precedent be followed?

That precedent might certainly be better for the State railway system, since it would

greatly simplify operation and avoid much of the trouble that arises here when goods insufficiently packed are sent at owners' risk, and claims are made in respect to them all the same. It might even be suggested that if we are to repeat, in this country, the financial success of the Prussian State railway system, it would be necessary to repeat, as well, the cast-iron regulations to which among other conditions the success is due.

Yet while the German traders may in the process of years have adapted their business to the German transport conditions, so that they now feel little or no inconvenience in regard to them, the position would be very different for British traders who were called upon, not only to reorganise their businesses, to meet the exigencies and the economies of a State railway system, but also to adopt different methods of consignment so that the Administration, while accepting the risk, should be more or less safeguarded from actually running any.

Claims.—Again, would a State Railway Administration be found more ready than the present railway companies to meet traders' claims?

The position of German traders on this question is thus described by Mr Pearson and Mr Reyntiens in their report to the Board of Trade :—

Apart from regulations which would seem to preclude the possibility of considerable claims, further regulations exist dealing with the payment of any which may arise. Very considerable difficulty, beyond this actual letter of the law, is experienced in the prosecution of any claims, as the onus of proof is on the claimant. Even when goods are found damaged on the railway at their arrival station, the cost of warehousing such goods must be borne by the consignor until the time of their removal, the question of liability being decided hereafter. Some of the large traders who have taken active measures to obtain redress by means of the Law Courts find their claims more frequently met, but in the general rule the State relies with success on the strict letter of the regulations. In any case a considerable time frequently elapses in dealing with a claim where more than one Administration or State is involved.

On my once asking a trader in Berlin who has exceptionally large dealings with the railways what his experiences were in the matter of claims, he replied: 'Oh, I rarely make any. I find it cheaper to save the postage stamp.'

FACILITIES.—Complaints have already been made by British traders of the withdrawal of various facilities previously granted to them by the railway companies, and the fear has arisen that still more might be withdrawn if the policy of amalgamation between the companies should undergo further development.

What would be the probable effect on the interests of traders in this matter of

withdrawal of facilities if the whole of the lines should be amalgamated into a single State system?

The concession of many of the facilities in question was originally due to active competition. While the companies may have agreed not to compete with one another in the matter of rates, they continued to compete actively for traffic by, among other things, conceding to traders facilities which were beyond or outside the services represented by the rates actually paid. Demurrage regulations, for instance, would be so far disregarded that the railway wagons often became the equivalent of warehouses on wheels, the commodities they contained being bought and sold several times in the period that elapsed between the original loading and the final discharging. The wagons would stand meanwhile on some siding or other, and not only occupying space there but depriving the company of their use for other traffic.

What the companies have recently sought to do has been to withdraw or to reduce facilities which, 'granted in the heat of the fight, and really unbusiness-like,' as Sir Charles Owens told the Board of Trade Departmental Committee, are considered 'unreasonable' as distinct from other facilities which are quite reasonable and should be continued.

Here one can understand that traders who have organised their businesses on the basis of the railway rates they pay for actual transport, including a variety of additional services, may now find it inconvenient to have these services curtailed, or to be called on to pay in future for what they have previously got for nothing, their cost of production or their working expenses being increased accordingly.

The question with which we are now specially concerned, however, is whether under nationalisation a State Railway Administration, having a complete monopoly of rail transport, would be more ready than, or even as ready as, the railway companies to concede gratuitous facilities, whether unreasonable or reasonable in character.

The interests of the traders are at present so far safeguarded that, while the companies claim they should be allowed to discontinue uneconomic and unwise facilities, any withdrawal by them of reasonable facilities can be challenged under the railway legislation of 1854 and 1894. New conditions, however, must needs arise under State ownership, and traders may well consider in advance what are the probabilities of the State being more generous or more tolerant to them than the companies.

If we turn once more to Germany, the precedents established there are again not

found to be very hopeful. Whereas Sir Charles Owens told the Departmental Committee, in 1910, 'In England we allow a trader to have his wagons standing for four days on our sidings at our station before we make any charge at all,' the position on the Prussian State railways is that the recognised free-period allowance, under ordinary conditions, for the unloading of wagons is twelve or (in certain instances) twenty-four hours, after which time demurrage is rigidly enforced; while to meet the periodical wagon shortage in the autumn and winter months, and ensure a still more speedy unloading, the demurrage charges may be increased, and the free period for unloading may be decreased to six hours whether for 5, 10, or 15 ton wagons. Nor in Germany do the traders have on their State railways such warehousing and wharfage, either free or at little more than nominal rental, as English traders get.

In regard to facilities in general, the policy of monopolistic State railways is 'nothing for nothing'; and traders dependent on those railways have to add to the rates they pay, for transport only, the cost of extra services which the corresponding railway rate in this country may include.

Ledger Accounts.—A detail of much practical concern to many English traders is whether, under nationalisation, the ledger

accounts to which they have been accustomed in their dealings with the railway companies would be continued by the State. Some, at least, of those who take advantage of this particular facility are, in effect, trading with the railway companies' capital, since without ledger accounts they might find it difficult to carry on their business at all.

It would be rash at present to speculate as to the course a British Government would pursue in this particular matter; though the general attitude of State departments towards citizens in regard to monetary payments that may be due from them is far from encouraging. Looking, however, once more to those Continental precedents to which nationalisation advocates never fail to point when they can draw an argument therefrom in favour of their own views, we find that although on the Prussian State railways ledger or credit accounts are allowed in respect to freight charges, a deposit is required, in cash, specified securities, or sureties, to the amount of at least one and a half times the average monthly freight payments. No interest is paid on these cash deposits, and no responsibility lies upon the railway to advise the trader when a deposit is exhausted. In Austria-Hungary credit is given for a month, a fortnight, or in some circumstances for twenty-four hours, subject to security being deposited for at least one

and a half times the amount of the credit. In Belgium the usual custom is to pay the railway charges daily, though there are certain firms which have ledger accounts, once more subject to the full estimated cost of the carriage being deposited in advance with the railways.

Thus the established principle in the operation of a State railway would seem to be either that traders are not to be trusted or that, whatever a commercial company may choose to do, the State itself can run no risks.

Reductions in Rates.—The one great benefit that traders, at least, would expect to derive from railway nationalisation would be a reduction in railway rates. Unless they obtained this—and especially if they had to reorganise their businesses and suffer a reduction in facilities to suit State railway ideals, finance, or convenience—railway nationalisation would, from their point of view, be a failure. *Commercial Intelligence*, in its issue for May 29, 1911, put the position very clearly from the trader's point of view when it said :—

> The first object of the State in taking over the railways would be to reduce rates and fares, and, if it could not do that, in addition to keeping the peace with labour by payment of higher wages, it would have failed to justify the expropriation of private enterprise.

But even assuming that economies in operation were effected, the demands from other directions—and especially those coming from the State railway servants—for benefits based on the savings made, would be so numerous, so persistent, and possibly supported by so much political pressure, that the prospect of the traders getting any material benefit for themselves might be distinctly remote. Notwithstanding the view taken by *Commercial Intelligence* as to the prior claims of traders and travellers, the railway workers, judging from all that was said on the occasion of the deputation to Mr Asquith in May, 1912, would fully expect to have their demands satisfied first; and, if this were done, it is not likely there would be much left for concessions to any one else.

In some quarters there is a hope—and in others a fear—that, under State ownership and operation, the trading interests would themselves be able to bring such political pressure to bear on the Government as to force them both to concede unremunerative railway rates and to carry out non-economic railway developments. This would be a repetition of the experiences the Government of the day might expect to have with the railway servants; and between the two sets of influences, should they both prevail, the

community in general might find their own interests most materially prejudiced.

Railway Passengers.—We come next to the question as to whether railway passengers would have any reasonable prospect of deriving advantages for themselves from a resort by the State to nationalisation.

What they would chiefly anticipate would be reductions in fares; but, once again, everything would depend on the realisation of economies in operation. If the economies were not made, the fares would have to remain as at present, unless the lines were to be worked at a loss and become a burden on the taxpayer.

A reduction in the number of so-called redundant trains is an important factor in the economies predicted by the advocates of nationalisation, so that against any possible lowering of fares there would have to be reckoned a corresponding decrease in travel facilities.

Much is made by railway nationalisation advocates of the alleged excessive number of trains between given points, as for instance between London and Manchester, Exeter, or Scotland; but the fact is generally overlooked that trains running on different lines to reach the same destination pass through different districts and serve intermediate places which would suffer from any reduction

in the number of trains stopping thereat, even although the through travellers might not be inconvenienced by having to take one route instead of another.

A good example in this connection is offered by the London-Manchester train services. The average nationalisation advocate might argue that, since the London and North Western Railway Company send so many trains every week-day from Euston to Manchester by their direct route, there is no need for the Midland Company to run so many as they do every day between St Pancras and Manchester. Here apparently there is good scope for railway nationalisation economy. The general manager of the Midland Railway Company, Sir Guy Granet, even admitted to the Board of Trade Departmental Committee, in 1910, that at one time he himself thought some of the Midland trains to Manchester could be taken off without hurting the public; 'but,' he continued,—

> After very carefully going into the matter, I have come to a very clear conclusion that we cannot possibly take off one. . . . These particular trains pay better than almost any other trains on the Midland system. It is very curious, but it is a fact that the trains in which there appears to be the greatest unnecessary competition are, in point of fact, the best paying trains we have got. Take all our Manchester trains, there is not a Manchester train that does not pay very handsomely indeed,

in either direction. That is because the traffic is not competitive in a great portion of the route. The different services tap different districts.

The Great Central, again, runs trains from London to Manchester by a circuitous route which is twenty-six miles longer than that of the North Western. But these trains are not actually run for the London-Manchester traffic, although starting or ending up at those termini. What they are designed for is to serve such intermediate places as Leicester, Nottingham, and Sheffield either as between London or Manchester or as between one another.

To talk of services of this type as redundant is of course an absurdity. There might be a reduction in the number of express non-stop trains between particular points on competing lines without prejudicing intermediate places; but even if such reduction did decrease the State railway's working expenses, and effect an economy, the public would have to be prepared to submit to a corresponding decrease in their travel facilities.

On the general question as to the comparative merits of travel on English company-owned and foreign or colonial State-owned railways respectively, nationalisation advocates point to the cheaper fares on Continental lines. They omit to mention that, on the Continent, passengers who want to

travel by express trains often have to take second class, or, in some instances, even first class tickets where for similar journeys on the trunk line railways of this country they could travel at third class fares, and that too in corridor carriages fully equal to the average Continental second class carriages.

Then, apart from the question of express trains, the majority of English tourists abroad who as a matter of course would travel third class at home go second class on the Continent, equally as a matter of course, to have a corresponding degree of comfort. There is the further detail also that the traveller on the Continent may have to pay extra for all his luggage.

Whatever the results of a comparison—subject to these important considerations—of ordinary passenger fares on British and Continental railways respectively, the latter have little or nothing to compare with the remarkably low excursion fares, week-end tickets, and other special facilities for cheap travel which are so prominent a feature in the social life of this country. The Continental State railways certainly issue their Rundreise tickets which, available by ordinary trains, correspond to, and are admittedly an improvement on, the tourist tickets of the British railways, since they allow of more combinations being made; but of what we should

regard as excursion trains proper the number run by Continental State railways is extremely small.

If all our railways were State-owned, it would not matter to the Administration whether London holiday-makers, for example, went east, north, west, or south. They would all travel by the State lines, and there would be no reason for trying to induce them—by specially low fares and attractive advertising—to go in one direction rather than another; whereas the companies which are interested in Scotland, Wales, or Ireland, in the seaside resorts of the east or the south coast, in the Cornish Riviera, and so on, are all keen on the creation of more traffic by offering inducements for travel by their particular line. A State railway might save by avoiding the advertising, and it might—or might not—gain by charging higher fares; but the British public would certainly run the risk of having a decrease in their present abundant facilities for holiday travel.

Whether in other respects State management would be more advantageous to the public than company management is no less open to question. Reference has already been made to the prolonged routine that may have to be followed on the German State railways when traders want an alteration of rates. Like delays may no less occur under

State management in the effecting of changes in passenger travel.

A British railway official who contributed an article on 'The Nationalisation of Railways' to the *Railway Magazine* for December, 1912, recalled an attempt made some years ago to improve communications between England and Germany. A proposal for the running of a new train was laid before the responsible Minister, but instead of his being able to decide the matter himself as soon as he had concluded that the proposal was a practicable one, it was found that, owing to the bureaucratic routine to be followed in such a case, it would take at least nine months before a definite reply could be received. What actually happened in this particular instance was that before the matter was finally decided it was under consideration for—*several years!*

Mr Asquith's View.—Summing up the general situation when a further deputation from the Parliamentary Committee of the Trade Union Congress waited upon him on March 17, 1913, and advocated railway nationalisation, among other measures, Mr Asquith said :—

> There are practical difficulties of a very serious kind in the application of the principle of nationalisation of railways. I am quite sure that any such operation, assuming it to be from the financial point of view carried out upon reasonable and equitable

terms, would be immediately followed by very large demands from two entirely different quarters—on the one hand, from the traders of the country for better terms and rates, and on the other hand, from the workers on the railways for better conditions as to wages and hours of labour. Any prospective advance in net receipts which Mr Walkden has been forecasting, and which very likely may come under existing conditions, would, I strongly suspect, be more than swallowed up before the railways had been in the possession of the State for more than twelve months.

These are things which, looking at it from the point of view of the taxpayer and the interests of the general community, you cannot leave out of account. However great may be the advantages in the diminution of competition and the co-ordination of the railway system, I remain of the opinion which I expressed last year, that the burden of proof is upon the shoulders of those who are in favour of the proposal. Like anybody else, I keep a perfectly open mind upon it.

National Considerations.—Whether or not State ownership would be a financial success and meet the expectations or the requirements of railway servants, of traders, and of travellers respectively, the effect of railway nationalisation on the public life of the country would inevitably be very great.

Whatever measures might be adopted with a view to overcoming the disadvantages of undue political influences, Parliament could not possibly undertake the supreme control and operation of the greatest and most complex

commercial organisation which, regarded as a whole, has ever been created in this country, without some material difference being made in its own particular functions, and in the degree of attention it would henceforth be able to devote to those questions of national and Imperial policy which fall so much more within the range of its legitimate purposes than questions of railway policy or details of railway operation.

Class and personal interests would play a far more prominent part in Parliamentary elections, to the corresponding detriment of national and Imperial interests, than they have ever done before. Any curtailment of the civil rights and electoral privileges of the railway workers, when they became servants of the State, might raise the question as to the position, in this respect, of civil servants in general. Yet though securities against undue political influence might be deemed necessary, it could hardly be desirable, even in the interests of the State itself, that so large a body of its citizens should be subject to restraint in the exercise of what, apart from their employment, must be regarded as the ordinary rights of citizenship.

The transfer of the railways from the companies to the State would involve a further very considerable increase in the proportions and powers of that already greatly

swollen officialdom which is steadily bringing the freeborn Englishman (as he still considers himself to be) under the control of a bureaucracy closely akin to that of Continental countries, whose standard of individual liberty we have hitherto regarded as wholly inferior to our own.

Is the practicability of State ownership and operation so fully assured, and are the advantages, not only to particular classes of the community, but to the community itself, so absolutely certain, that it would be worth while to run the risk of bringing upon the nation such fundamental changes as these in its political institutions, in the civil standing of its citizens, and in the tone and spirit of its public life in general?

CHAPTER VII

FINANCE: PURCHASE AND ECONOMIES

In the opinion of many members of the railway nationalisation party, the principle and the process of State purchase have already been fully provided for under the provisions of the Act of 1844.

How this Act came to be passed should, in the first place, be clearly understood by those who would appreciate its real purpose and significance.

The Act of 1844.—At the time the Act became law the opinion was generally entertained that railways would not only both succeed and supplant canals, but would divert to themselves the now almost incredible success to which many of the leading canal companies had attained. In 1824 shares in the Loughborough Navigation, which had cost their first holders £142 each, were worth £4700; Birmingham Canal shares had risen in value from £140 to £2840; while the dividends per share then being paid by canal companies included the following:—Trent and Mersey, £75 and bonus; Erewash, £58; Staffordshire

and Worcestershire, £40; Mersey and Irwell, £35; and Stroudwater, £31.

It was regarded as a matter of course that railway companies would pay at least ten per cent. In 1844 the Liverpool and Manchester, the Grand Junction, the London and Birmingham, and the York and Midland were, in fact, paying dividends of from ten to twelve per cent. each, and the Stockton and Darlington Railway Company was paying fifteen per cent.

The real design and purpose of the legislation of 1844 was to provide for the adequate protection of public interests in the case of railways paying ten per cent. dividends or over, in order to ensure that the companies should not unduly exploit traders and travellers and go beyond the reasonable return on railway investments which ten per cent. was then considered to represent.

One provision of the Act of 1844 was that if, after the lapse of twenty-one years from that date, any railway sanctioned subsequently to 1844 paid ten per cent. for three years, the Treasury might reduce the company's rates—provided that it guaranteed to the company a ten per cent. dividend for the twenty-one years the revised rates were to be in force. Needless to say, the provision in question has remained a dead letter.

The clauses relating to State purchase also

applied only to railways the construction of which should be authorised subsequently to 1844, existing lines and lines already authorised being expressly excluded ; and the terms specified—a sum equal to twenty-five years' purchase of the average annual divisible profits for the three previous years—applied only to companies whose profits equalled, or exceeded, ten per cent. on their capital. In the case of railway companies whose profits were below ten per cent. the amount of the purchase money, including a due allowance for anticipated profits, was to be fixed by arbitration.

The extent of the lines existing or authorised in 1844 which were excluded from the Act was 2320 miles ; yet although this may appear to be only a small proportion of the present total mileage (23,417) it included many of the most important links in the trunk lines of the country to-day, as, for instance, on the London and North Western Railway, the lines between London and Birmingham, Manchester and Birmingham, Liverpool and Manchester, and Chester and Crewe ; on the Great Western, London and Bristol ; on the London and South Western, London and Southampton, and so on with other companies. For the Government to think of 'nationalising' the railways under the Act of 1844, and to leave out of the State

system such all-important sections of line as these, would be an obvious absurdity.

Inasmuch also as the railway companies in the United Kingdom do not now pay ten per cent. dividends, the whole of them could claim arbitration, instead of being acquired under the terms stated in the Act.

Not only does the Act of 1844 thus fail to apply to present-day conditions, but it was not even intended to have a binding effect on future State policy at all since it contained a further stipulation that no revision of rates or State purchase of lines should take place without the passing of an Act of Parliament expressly authorising the guarantee or the purchase, and determining the procedure to be adopted.

For all practical purposes, therefore, the Act of 1844 to-day hardly comes into consideration. It applied to conditions which, in the interval of nearly seventy years that has elapsed, have either totally changed or never been realised ; it committed Parliament and the country to nothing beyond a pious expression of opinion; and it does not necessarily offer any actual basis on which purchase could be carried out as regards the existing railway system and the great complications involved therein.

THE PURCHASE PRICE.—The sum total of the paid-up capital invested in the railways

of the United Kingdom stood, in 1911, at £1,824,018,000, or more than twice as much as the sum total of the Funded Debt.

Nationalisation advocates seek to make a strong point of the fact that this £1,824,000,000 includes £198,000,000 of nominal capital due to duplications or sub-divisions of railway stock; and it has been assumed that this 'watering' would necessarily affect the price at which the State would acquire the lines. One must, however, remember that every one of these duplications or sub-divisions of stock was carried out only after inquiry by, and with express sanction of, Parliamentary Committees, and it can hardly be supposed that Parliament would now expect the companies to suffer for what it had thus previously approved. Then, although Parliament might not feel at all committed by the Act of 1844, it is assumed that the terms of purchase would still be based on the average earnings, according to such number of years' purchase as might be considered just and reasonable (with a due allowance presumably for anticipated profits and for invested capital yielding no profit at all), one of the most material problems of the situation that would arise, if nationalisation were resolved upon, being the period for which the average earnings should be taken and the precise number of years on which

the purchase should be based. The actual net earnings in 1911 were £48,582,000, as compared with £47,356,000 in 1910, and £45,136,000 in 1909.

Various estimates have been formed as to what the purchase price would probably be. The lowest I have seen is that of a correspondent of *The Times* who, in the course of an article on 'The Nationalisation of Railways,' published May 30, 1912, put the figure at £1,052,750. When on the deputation from the Parliamentary Committee of the Trade Union Congress that waited on Mr Asquith on March 17, 1913, Mr Walkden suggested that, on the basis of twenty-five years' purchase of the profits, it would cost £1,175,000,000 for the State to acquire the railways. Mr F. T. Haggard, in *The Outlook* (June 8, 1912), calculated that £1,562,337,000 would be required. The *Railway News* estimate is £1,769,847,000; and concerning this the *Financier and Bullionist* of September 7, 1912, remarked: 'Possibly when the figures are examined they might be reduced; but we think not to any appreciable extent.' A still higher calculation has been given in *The Financial News* which, in its issue of May 22, 1912, said :—

> If on a total capitalisation of £1,324,000,000 the railways earn, as they did in 1911, an average of 3·66 per cent., and that should be the basis of

purchase, the problem before the State would be to create substituted securities yielding an annual income of £48,546,000. That would call for no less than £1,941,863,000 in 2½ per cent. stock.

Whichever of these estimates be favoured—and there is no need to examine them closely here—the magnitude of the deal the Government would undertake must be sufficiently apparent. Yet there are members of the railway nationalisation party sanguine enough to believe that the actual transfer of the lines from the companies to the State would be little more than a mere formality. The view taken by them is that the Government would simply have to issue so much State railway stock to meet the claims of the shareholders, and that would be the end of the matter. One public speaker who posed as an authority on the subject assured his audience not long ago that 'the transfer from the companies to the nation would be as simple as buying a halfpenny stamp.'

Effect on National Finance.—Provided that the railway shareholders were paid a really equitable price for their holdings, they might themselves offer no serious objection to accepting in exchange Government securities on which there would be a fixed and presumably equivalent return. It is even possible that many of them might, for this reason, endorse the policy of railway nationalisation.

No reasonable person, however, can fail to see that the addition to the National Debt of any such colossal sum as £1,769,000,000 (if the *Railway News* figures may be adopted, by way of illustration) would needs have a powerful, if not even a paralysing, effect on our national finance.

Gilt-edged securities would be especially prejudiced by the expansion of the range of trustee investments. Trustees are authorised by the Trustee Act, 1893, to invest in the debenture, guaranteed, or preference stock of any railway in Great Britain which has, during each of the ten years preceding the investment, paid a dividend of not less than three per cent. per annum on ordinary stock. They must not, however, invest in such debenture and preference stock unless it fulfils this condition, nor must they invest in ordinary stock, the amount of which, in 1911, was £493,484,000. When, however, the railways were transferred to the State, the two classes of railway stock here in question, and now excluded from the consideration of trustees, would become Government stock in which trustees would be free to invest if they so desired. In this way the amount now available for trustee investment would be increased by a sum of, approximately, £540,000,000.

The inevitable depreciation in the value of

Consols would be disastrous, and especially so if the railway stock were issued under such conditions as to ensure for it a higher degree of favour for trust purposes than the premier security.

Referring specially to trustee stocks in a speech he delivered in the House of Commons on July 18, 1912, when explaining the reasons which had led to the fall in Consols, the Chancellor of the Exchequer said :—

> Any one who knows anything about investment and the Stock Exchange must be aware that the moment you begin to widen the area in investments of this kind the effect is enormous. Even a small percentage added to the available stock in itself makes a difference. When you quadruple or quintuple it the effect must be disastrous on the value of your 'gilt-edged' securities.

What, then, is likely to happen when the stock available for trustees' investments is increased by no less an amount than £540,000,000? Whether the railway shareholders should be able to make a good bargain with the Government or not, the holders of existing securities of the gilt-edged type would have to be prepared to face a further heavy loss. One financial authority, in fact, has predicted that Consols—now already, at the time of writing, below £74—would probably fall to £50.

Other Public Burdens.—The incurring of

such additional stupendous obligations as the purchase of the railways would be the more serious by reason of the other burdens assumed by the State in recent years. Old age pensions and national insurance, whatever their merits or justification from the point of view of social reform, have imposed heavy financial obligations on the country; the same has been the case with Irish land stock, which has already been greatly depreciated owing to the superabundant issue of gilt-edged securities, though further substantial sums are now needed on the same account; the acquisition of the London water supply, of the Port of London docks, and of the National Telephone Company's system have been, in the aggregate, a costly business; while the question of naval defence foreshadows the possibility of still heavier expenditure in this direction also.

In the circumstances, the country might reasonably conclude that it would not be worth while to increase the national indebtedness by a further 1769 millions, and run the risk of great complications, if not of a serious embarrassment, in the national finances, mainly in what might, after all, be the delusive hope of satisfying the demands of the railway workers.

PURCHASE OR CONFISCATION?—Already there is a fear on the part of nationalisation advocates

that, if the Government proposed to pay a reasonable price for the railways, either the country would never consent or, alternatively, so much would have to be paid out of revenue for interest on the railway debt that there would be little prospect of the railway workers and others getting for themselves the advantages they anticipate from State ownership.

Realising that open advocacy of confiscation would be unpopular, the Socialists seem to think the difficulty could be overcome by depreciating the value of railways so that their earning powers would be decreased and the purchase price lowered accordingly. To this end there have been suggestions that the railways should be crippled by taxation; that Government control should be made still more severe; that there should be an increase in the obligations and restrictions on the companies, so as to render the lines less remunerative; and that facilities promised to the companies with a view to enabling them to meet increases in working expenses should have been withheld by Parliament because their effect would be to improve the railway position, and increase the amount that would have to be paid for the lines should the State eventually decide on acquiring them.

An alternative to the policy of indirect confiscation, such as these various proposals

represent, is to be found in the suggestion made by Mr Will Thorne, M.P., when the Trade Union deputation waited on the Premier in May, 1912. Mr Asquith asked if they seriously contended that under State management it would be possible to lower the freights as well as to increase the wages of the workers. Thereupon Mr Thorne confessed that this would depend entirely on the price the State paid for the railways; but 'if they bought on a short purchase, say ten years or so, he thought they could do it.'

Here we have a tacit admission that unless the Government got possession of the railways at considerably less than their value, and under terms that would still amount to semi-confiscation, the schemes of the nationalisation party would miscarry.

It may be argued that Parliament would never consent to an unjust bargain; but what guarantee is there that some future developments in the political world might not lead to a Government being in power which would have fewer scruples on the subject than the politicians of to-day? What guarantee is there that, even if a fair price were agreed to, the rate of interest on the Government stock issued might not afterwards be reduced, as was done in the case of 'Goschens'? Is it not probable, too, that the Socialists, the

Syndicalists, and the Labour Party in unison would sooner or later denounce the holders of railway stock as no less 'capitalists' and 'parasites' than the railway shareholders of to-day; and would there not be the risk that, when they found the payment of interest interfering with the realisation of all the benefits desired by the workers, they would clamour for a disendowment which would complete the confiscation they already really desire?

Railway shareholders who may at present be disposed to favour nationalisation have thus to be prepared to face two possibilities: (1) that they may not be able to get the terms they expect or to which they are entitled; and (2) that even if such terms were conceded, there is no certainty that they would be adhered to for all time.

A still further alternative to direct confiscation, proposed by a leading Socialist, is that the State, instead of buying up the existing lines, should construct a railway system of its own, and operate it in competition with the companies' lines!

A Permanent Rate of Interest.—Assuming that no future Government did ever reduce the rate of interest on the State railway stock, the fact would still remain that, whereas the railway companies pay no dividends on ordinary shares when there are no

profits available for that purpose, the State would need to pay a fixed rate of interest on all its State railway stock, whether the railways yielded an adequate profit or not. If necessary, any difference would have to be made good by the taxpayer.

In 1911 the proportion of ordinary stock invested in the railways of the United Kingdom on which no dividend was paid amounted to £66,376,829, or 13·5 per cent. of the total. Naturally the State could not expect to take over this £66,000,000 of capital on the basis of twenty-five years' purchase of 'the average annual divisible profits for a period of three years,' since the profits might have been non-existent for that period. Twenty-five years' purchase of nothing would, of course, be—nothing. But while the country has had the full advantage of the investment in rail transport facilities of this £66,000,000 of capital, now unproductive of dividends to the shareholders, the State would have to pay interest on the bonds given in exchange, the values thereof thus becoming a direct and unavoidable charge on the State railway revenue, in place of the capital represented receiving no return whatever, as at present.

Taking all the ordinary stock in the railways of the United Kingdom on which not more than three per cent. is now being paid, we get the following figures :—

Rate of Dividend. Per Cent.	Amount of Capital.	Per Cent. of Total.
Nil	£66,376,829	13·5
Not above 1 . . .	12,906,026	2·6
Above 1 and not above 2 .	39,120,685	7·9
Above 2 and not above 3 .	87,806,254	17·8
Total . . .	£206,209,794	41·8

Purchase—and After.—Whatever the terms on which the railways were acquired by the Government, purchase of the lines would by no means complete the expenditure in which the State would be involved. Every time that further important extensions or improvements—such as those now charged to capital by the companies—became necessary, the State would require to raise fresh loans for carrying them out, assuming, as one is entitled to do, that the cost could not be met out of a revenue on which so many other demands are to be made.

There is, for instance, the question of electrification. Already several of the leading companies have incurred a very considerable outlay in electrifying their suburban lines, with the idea either of getting back some of the traffic taken from them by the tramways and motor omnibuses or of developing new districts to greater advantage. So encouraging have the results been that the electrification of certain main lines is also being undertaken, and railway operation

would seem to be entering on a transition stage in which steam may widely give way to electricity.

So long as the railways belong to different companies, these changes can be effected gradually, and even experimentally. If all the lines were owned and operated by the State, the Government of the day might have to deal with electrification as applying, more or less, to the State system as a whole. In no other way could complaints of favouritism or of unfairness to neglected districts be avoided, though the total cost in which the State Railway Administration would be involved would be a far greater financial proposition than is likely to follow from the spreading of the total expenditure over a number of different companies operating, in regard to electricity, each in especially favourable sections of its own individual district.

Such further loans as the Government might have to raise from time to time for these and other railway purposes would, in the aggregate, add substantially to the stupendous commitments on account of purchase, on fair terms, and would introduce still further complications into the national finance.

The experiences of Prussia, of Germany, of various Australian States, and of other

countries show that a too frequent application for loans on account of State railway extensions or improvements may be of material disadvantage to the financial position of the State or country concerned. There may be a no less disadvantage for the State railways themselves when, as in the case of Prussia, loans that are required for carrying out costly extensions and improvements of the State railway system have to be raised at the same time as still more formidable sums needed for national or Imperial purposes, the one set of requirements, like the other, being inextricably mixed up with the whole scheme of public finance.

When, early in 1918, the Prussian Government sought to raise £20,000,000 by the issue of Treasury Bonds to meet the railway purposes referred to on page 56, the desired sum was only half subscribed; and when, again, in June, 1918, new Imperial and Prussian loans amounting to £11,250,000 were issued, the Prussian loan of £8,750,000 (wanted for extensions and improvements of the State railway system) was so much under-subscribed that, as announced at the time, a considerable amount remained on the hands of the underwriters. Nor has the outlook for the raising of fresh loans with which to carry out the very substantial works necessary in connection with the Australian railways been found at all encouraging.

There is surely an advantage in the existing conditions in this country under which all that is necessary in connection with railway construction, extension, or improvement can be done by private enterprise without interference with the national finances at all.

THE QUESTION OF ECONOMIES.—Assuming that the State paid a fair and equitable price for the railways, without any attempt to obtain control of them either on inadequate terms or by confiscation, direct or indirect, the prospect of the nationalisation advocates achieving the fulfilment of their aims would depend on the realisation, on a sufficiently comprehensive scale, of those much talked of 'economies.' Replying to Mr Thorne's suggestion that the desired advantages might be obtained if the Government acquired the railways on the basis of not more than a ten years' purchase, Mr Asquith remarked to the deputation waiting on him in May, 1912 :—

> The notion that you can reduce fares and rates, shorten hours of labour, and raise the wages of persons employed after paying for the capital value of the undertakings on a very small number of years' purchase is, I think, an illusory notion.

Still more illusory would be the attainment of these results if the twenty-five years' basis of the Act of 1844 were adhered to, and unless the, in that case, even more indispensable economies could be effected.

It cannot be denied that the economies would have to produce a fairly substantial sum every year if the full programme of the nationalisation party is to be attained. The railway workers, as we have seen, are to have higher wages and shorter hours, an addition of £11,500,000 a year to the wages bill on this account being considered quite reasonable; traders are to have their rates substantially decreased; railway passengers are to have lower fares; workmen's trains are to be run in greater number, whether the fares paid are remunerative or not; 'experimental' lines are to be built, and existing branch lines are to be made greater use of, for developing districts where the traffic may at present be unproductive; State railways are to play their part in social reform generally; a surplus is to be left for the relief of taxation, and all these things are to be done —after payment of working expenses and putting aside sufficient to provide for interest charges and sinking fund—out of the predicted 'economies.'

In the *Catholic Herald* for September 2, 1911, Mr G. N. Barnes wrote :—

> It is, I believe, quite a reasonable estimate to put the amount available for improved conditions of the railways which would come with nationalisation somewhere in the region of £25,000,000 a year.

Other advocates of State ownership and

operation are more moderate in their expectations. They are content to calculate on a modest £15,000,000 or £18,000,000 a year, but they think that even such a saving as this would answer the purpose.

DIRECTORS' FEES.—When one comes down to details, and asks how even £15,000,000 a year is to be saved by nationalisation, one finds that the particular economy with respect to which the greatest degree of unanimity prevails is the abolition of the boards of directors of the different companies and the effecting of a drastic reduction in 'the army of general managers' now supposed to be receiving 'enormous' salaries.

The wiping out of directors' fees is, in fact, a leading argument in favour of railway nationalisation; though the theorists who bring it forward so frequently would seem to have only the vaguest idea of what the fees really amount to. One of them has declared that he 'understood' they came to £650,000 a year; but, even if they did, that amount would not go far towards making up the £25,000,000 or even the £15,000,000 a year on which the nationalisers are reckoning. An estimate, however, which is much more likely to be correct is that given by Mr W. M. Acworth in a letter to *The Times* of June 4, 1912, in which he says :—'I believe I am correct in saying that the total paid

in directors' fees is £150,000 per annum.' Comparing this amount with the sum total of the railway companies' working expenses in 1911, with a view to seeing what would be the actual effect thereon of the abolition of directors' fees, we get the following result :—

Total working expenses . . .	£78,617,824
Deduct directors' fees . . .	150,000
Remainder	£78,467,824

This question of the abolition of directors' fees was made a strong point of by witnesses before the Vice-Regal Commission on Irish Railways who gave evidence in favour of the nationalisation of those lines as a separate system; but Mr Tatlow, at that time manager of the Midland Great Western Railway of Ireland, showed that the remuneration received in 1906 by the directors of the thirty-eight companies owning railways in Ireland amounted only to £18,656, which gave an average of £491 per company and £79 per director. Out of this total of £18,656, however, £15,250 went to the directors of the six chief companies, leaving £3406 for the remaining thirty-two companies, or an average of £106 per company.

Again, while the chief function of railway directors is to watch over the interests of the shareholders and decide on questions of

policy rather than to take any active part in those working details which are preferably entrusted to railway officers possessed of the requisite technical knowledge and experience, there are, nevertheless, certain duties performed by directors in the way of general control and supervision which would have to be undertaken by other persons even under State ownership, so that the abolition of the companies' boards of directors would not necessarily lead to a saving of the entire sum now paid to them as fees. It is obviously a matter of no material consequence, however, whether it did so or not, in view of the comparatively infinitesimal effect that even a saving of the entire amount would have on the financial position as a whole.

General Managers.—Then it is argued that the general managers would no longer be wanted when the State took over the railways. But, as men who have risen to the premier position in the railway service by their knowledge, experience, and capacity, and who rank as the greatest experts in the United Kingdom on railway operation, their services would surely still be required, even if, under the new conditions, the posts they held went by some other title. The same conditions would apply to other leading railway officers. All of them, more or less, would have to be taken over by the State if it

wished to maintain, as it naturally would, the present efficiency in railway operation.

As for the question of salaries, Mr F. H. Dent, general manager of the South Eastern and Chatham Railway, said in an address on Railway Nationalisation delivered by him in October, 1912, to the members of the Railway Students' Association at the London School of Economics :—

> It was quite true that on many railways salaries were paid to one or two officers which were in excess of anything the Government need pay; but that was done usually under stress of competition from abroad —in fact, for commercial reasons.

The meaning of this presumably is that, inasmuch as the railways in South America and elsewhere offer from time to time big salaries with a view to getting for themselves the highest or the most promising type of railwaymen, salaries must needs be paid here on such a scale as will retain the services of such men for this country. A State Railway Administration, no less than the railway companies, would be bound by the same economic law, and it would, in all probability, have to pay approximately the same scale of remuneration either to the same men or to others of a like standing in the railway world. The migration to other lands of highly-skilled British railway officers would proceed at a still greater pace if, under State

management, there were any attempt either to get rid of the best men or to reduce their salaries in order to allow of higher pay to the wages staff.

STATE RAILWAY DISTRICTS.—Nationalisers are the more disposed to believe in the economies they expect to follow from State administration because they anticipate that such administration would be quite a simple and comparatively inexpensive business. 'In Germany,' said the *Bradford Weekly Telegraph*, in its issue of August 25, 1911, 'the supreme control of the railways is invested in one individual, whose salary is scarcely larger than that of a single railway director on British lines.' 'Why,' asked a correspondent in the *Keighley News*, 'maintain fifty-one railway companies and 250 boards of directors when one director and one board could manage the lot? While Germany has one director, Britain has 3000.' 'Instead of thirty or forty general managers,' Mr J. E. Williams told Mr Asquith, 'you would have one central head.'

These are typical examples of the kind of argument on which the country is being invited to assent to so prodigiously costly a scheme as that of railway nationalisation.

It might again be pointed out that, instead of 'Germany' having a single system of State railways, she has separate systems in

(among other States) Prussia, Bavaria, Saxony, Würtemberg, Baden, and Alsace-Lorraine; and each has an administration distinct from that of any of the others. Each would thus have its own (managing) 'director,' or Railway Minister, and its own staff of officers and officials, the whole being the virtual equivalent in Germany to a division of the railways of the United Kingdom among six or more companies.

Then there is the decentralisation policy under which a German State railway system is, in turn, sub-divided into separate districts, or directions.

In Prussia, for example, the State railways are apportioned to twenty-one directions, each of which has its own president and its own executive staff, and works the mileage of its district as a separate unity, having (except in the matter of locomotives) its own equipment and its own rate schedules, and constituting for all practical purposes a distinct organisation, its president being the equivalent of the general manager of a railway company here. In Saxony there are six districts for executive and operative purposes, and in Bavaria the State railways are divided into five districts, based on the Prussian model.

If we look to the methods adopted in the reorganisation of the Italian railways, to suit the exigencies of State ownership there,

we find that, as told by Mr Charles Lee Raper, in *Railway Transportation*,—

> There are, under the direction of the Council of Railway Administration, a central office of inspection, which has control of the investigation of the technical phases of operation, and a number of central bureaus that represent every phase of railway management. The lines are now divided into ten districts, but the number may easily be changed. Each district has its own directory of administration which must work under the general director and the Council of Railway Administration. The actual details of the management are in the hands of these directories.

In face of such examples as these, the idea of a State railway having a single 'director' and a single board, able to 'manage the lot,' is sufficiently grotesque.

It has been argued that there would not be the need for a sub-division of the railways of the United Kingdom into districts, as in Germany, because our distances here are less and the rail transport is more compact. The comparison, however, should once more be made, not with Germany, but with the State system of Prussia; and not only do the 121,000 square miles of superficial area of the United Kingdom approximate to the 136,000 square miles in Prussia, but between the trade, travel, and transport conditions of different parts of the British Isles there are variations as great as any of those which,

among other reasons, have led to the creation of different directions in Prussia. There are, for instance, wide differences between traffic questions affecting the Western Counties and those that relate specially to the Eastern Counties; between the requirements of the coal trade in South Wales and those of the fruit trade in Kent; between the iron industries of the North-east Coast and the agricultural industries of Ireland, and between all of them and the problem of urban and suburban traffic in London. Sub-division and decentralisation might no less be necessary for administrative purposes. Even as it is, our leading railway companies divide their systems into separate districts, each in charge of a skilled officer.

There is not the slightest doubt that the State, on taking over the lines, would have to follow the Prussian example in order to meet alike local conditions, transport requirements, and the needs of general control. Nor can one doubt that each of such State railway districts would require to be placed under the charge of an officer fully equal to the general manager of to-day.

The average business man may well conclude that, by the time the railways of the United Kingdom had been sub-divided into these separate and distinct districts, each with its own 'director,' or general manager,

staff, and other State machinery, the result would probably show no great saving on the directors' fees and the other costs of management and control under company operation.

Still less would the confidence of the trading community be assured if, instead of creating these equivalents of the Prussian and Italian directions, our own Government contented themselves with a Central Railway Authority modelled on the body controlling the Port of London or on the Metropolitan Water Board.

Railway Clearing House.—Substantial economies are also anticipated by the nationalisation party from the abolition of the Railway Clearing House.

Speaking generally, and without going into elaborate details, the main purpose of the Railway Clearing House is to facilitate through traffic by allocating to each company over whose lines such traffic goes the exact proportion of the through rate to which that company is entitled. The number of companies, the multiplicity of the agreements and working arrangements between them, and the magnitude of the traffic passing over the lines of more than a single company, combine to create so vast an amount of work for the Clearing House to do that some 2200 persons are engaged there, apart from 500 'number-takers' employed at important junctions or other railway centres to examine

and note each train that passes, and send returns to the head office giving details concerning vehicles, sheets, traffic, forwarding station, route, destination, etc.

Amalgamations between the railway companies tend to decrease the work to be done by the Clearing House. A witness who gave evidence before the Board of Trade Departmental Committee on Railway Agreements and Amalgamations on behalf of Clearing House employees said :—

> Any amalgamation for the unification of interests must remove certain groups of traffic entirely from the Clearing House. Take, for example, the amalgamation of the Lancashire and Yorkshire, the London and North Western, and the Midland. That would transform traffic between those companies into local traffic. This would mean a reduction in the Goods Department of the Clearing House to the extent of some fifty-one men.

Clearing House employees whose services were thus dispensed with would, the witness further stated, have great difficulty in obtaining other employment owing to the fact that the knowledge and experience gained in the Railway Clearing House would have little or no value in ordinary commercial offices; and the witness expressed a hope that the Committee would make some strong recommendation on their behalf (in the event of more amalgamations being carried out), in order to save them from 'unmerited disaster.'

'We think,' he added, 'there is an overwhelming case for compensation to cover the clerks' loss of employment.'

From the point of view of the average advocate of railway nationalisation, these 2000 Clearing House clerks would be left to join the ranks of the unemployed, and the salaries they have been receiving would be added to the economies by means of which the wages staff are to have more pay, the traders are to get lower rates, and so on to the ordinary citizens who are to pay less taxation.

It is doubtful, however, if the fate with which the 2000 clerks are thus threatened would really fall upon them, and it is no less doubtful if the amount of their salaries would actually be available for distribution among the wages staff, the traders, and others.

Should that territorial division of the United Kingdom into State railway districts which would seem to be unavoidable really take place under railway nationalisation, each area would have to collect or to check details in respect to the traffic going on to or coming from the other areas, as in the case to-day of traffic passing from one company's line to that of another; while a State Railway Central Administration would itself inevitably require elaborate comparative statistics of the results of working in the various areas, necessitating an accurate apportionment of

receipts and expenditure, and involving work very similar to that now done by the Clearing House. The experience of all State railways abroad and of State Departments at home would be belied unless the State railway officers were constantly called upon to compile statistics—in addition to those of the traffic apportionment type—to an extent that British railway companies, operating on commercial lines, consider unnecessary for their own particular purposes.

Although, therefore, the Railway Clearing House, as such, might no longer be needed, the amount of clerical work to be done, in one form or another, would probably be as great, or almost as great, as before ; and in that case the number of Clearing House clerks who could be dispensed with altogether, and whose salaries could be saved, would probably be much smaller than is supposed.

As regards the 500 number-takers who work in conjunction with the Railway Clearing House, one may anticipate that a certain number of wagons would be apportioned to each State railway district, and in this case it would be necessary to have some record when the wagons of one district passed to or arrived from another district. Number-takers would, therefore, still be wanted for this purpose, and once more we see that no great saving is likely to be made—always

assuming that the apparently indispensable division into territorial areas is adopted.

Other Economies.—There are other directions in which economies certainly could be carried out under State ownership and operation.

Each important company now employs a small army of canvassers whose business it is to get traffic for the particular line they represent. Incidentally they render important services to the traders by giving them advice in regard to transport problems, assisting them in various ways, and keeping in close touch with commercial and industrial conditions in the area allotted to them. A monopolistic State Railway Administration, having no need for these canvassers, would doubtless save their salaries, and leave the traders to their own resources.

Economies might also be made by the State Railway Administration no longer undertaking cartage; by turning the parcels traffic over to the Post Office; by stopping those alleged 'redundant' trains to which reference has already been made; by spending less on advertising; by closing duplicate stations, and by ceasing to work lines which, built under the stress of competition, though with the encouragement of the State, might be no longer needed after the State itself had bought them in common with all the other

lines. Each of these particular economies, however, would be accompanied by a loss of receipts, and not only would the net saving be uncertain, but there might also be a vigorous outcry on the part of traders and the public against the reduction of their facilities.

One possibility which specially appeals to the practical railwayman is the extinction, under a State system, of private owners' wagons; but here again would come the risk of friction with the traders.

In the Secretarial Department there would be a reduction in the work to be done, more especially in regard to the transfer of the various descriptions of stocks and shares. There would, however, still be plenty of transfers of stock in connection with the new Government Loan which would presumably be floated on account of the State purchase of the railways, and, though some economy might be effected by a concentration of the work in one place, it is not probable that the net saving would be very great.

Let it further be granted, in connection with what is called 'waste in working,' that the common user of wagons and of passenger vehicles would make it possible to work the traffic with less rolling stock; that better loading of wagons could be obtained through a greater concentration of traffic and the

keeping back of consignments to allow of full loads being made up; that, with the disappearance of competition, a State railway would no longer run either passenger trains at unnecessarily high speeds or lightly-loaded fast goods trains; and that still other economies, of a minor type, might be made in regard to police expenses and telegraph maintenance.

Under the head of 'unremunerative enterprises' come a variety of services which (as will be shown more fully later on) are now rendered by railway companies in connection with docks, steamboat services, hotels, omnibuses, etc. These, though now generally forming part of the railway companies' property to be acquired under nationalisation, could, of course, be discontinued by the State in order to effect savings; but in most cases the consequent loss to the public of some facility they at present enjoy would be certain to lead to protests.

Allowance may also be made for the discontinuance of some of the smaller locomotive, carriage, and wagon works owned by the various companies, economies being effected either by concentration at the larger workshops or through purchase from outside manufacturers.

There should be savings, too, in the cost of legal and Parliamentary proceedings, in

the event of new lines being constructed, as well as in the acquiring of land for railway purposes; but very little now remains to be done in the direction of building new lines, and these particular savings would therefore be of no great consequence.

PER CONTRA.—As against all these possible economies—together with any others that may have been overlooked—must be set the certainty of (1) a great increase in the number of officials, and (2) greater cost of administration and higher working expenses generally, without any probability of increased efficiency or of greater advantage to the public.

Not only would the majority, at least, of the present railway officers and officials have to be taken on by the State, but many fresh positions would be created to meet the conditions peculiar to State rather than to commercial administration. The routine followed would be greater; far more clerical work would have to be done; even railway officers would probably not work as hard under Government employment as they do for the companies; while the bringing of the railways under State control would open the door to the exercise of a vast amount of political patronage, further tending to greater cost and lessened efficiency.

It would, also, still further accentuate that demand for an eight-hours' day for railway

workers, concerning which Mr Bellamy, president of the National Union of Railwaymen, said at Burton-on-Trent on June 8, 1913, that 'in the forefront of the new programme of the executive committee of that Union was the eight-hours day,' and 'he could promise that if they did not get it there would be a very big strike.'

If we add the cost of meeting the demands that, with more or less political pressure, would be made on the Government in respect to wages, hours, rates, unremunerative services, and so on, the business man might well assume that the economies effected, even when the fullest possible allowance is made for them, will probably be insignificant as compared with the increase in working expenses.

One is thus forced to the conclusion that the financial aspects of the nationalisation scheme are impracticable in themselves and hopeless in the prospect of their realisation ; while, apart from the question of finances as affecting the State acquirement and operation of the railways, as railways, there are various other important considerations, in regard both to supplementary interests of the railway companies and to competing transport services, which must no less be brought into any adequate survey of the situation as a whole.

CHAPTER VIII

SUPPLEMENTARY INTERESTS

THE average advocate of railway nationalisation speaks or writes as though the only question involved therein was that of the State acquiring the *railways* on some such basis as that laid down by the Act of 1844. He overlooks the fact that the railway companies have a wide range of interests in addition to their lines and their rolling stock, and that developments brought about in this respect since 1844 have greatly complicated the whole position.

RAILWAY COMPANIES' STEAMSHIPS.—As far back as the year 1836, that is to say, when railways were still in their infancy, George Stephenson included in his scheme for the construction of the Chester and Holyhead Railway the provision by the railway company of a service of boats to run between Holyhead and Kingstown in connection with the company's train services. This was the first attempt to apply a principle afterwards generally accepted, namely, that, cross-Channel traffic being the natural corollary of rail traffic to or from a port, there would

be a great advantage in the control of these two branches of transport by one company. It would thus be enabled to give through rates and to work sea and land transport in complete accord and combination without the interruptions of traffic or the other difficulties that might arise if the cross-Channel transport were in the hands of an independent company.

At the outset the shipping interests offered vigorous opposition to the idea of the railway companies becoming steamship owners. It was not until 1848 that the Chester and Holyhead Railway Company (amalgamated in 1859 with the London and North Western Railway Company) obtained Parliamentary powers authorising them to run in their own name a fleet of steamships which had by that time been already expressly provided for the Irish service by an 'independent' company—formed mainly of the Chester and Holyhead Railway Company's directors and largest shareholders. The running of the steamers in connection with the trains had, in fact, been definitely announced for a certain date, whether the railway company got their Parliamentary powers or not.

Other railway companies sought to overcome the difficulty in regard to Parliamentary powers by adopting a like expedient. When, for instance, the South Eastern Railway

Company's lines reached Folkestone, in 1844, the company had so much trouble in making satisfactory arrangements with the shipping interests then conducting the cross-Channel services that on the completion of their Dover extension they formed a 'South Eastern and Continental Steam Packet Company,' which, though nominally independent, was under their control, and was subsequently absorbed by them. The concession of the principle that railway companies could operate their own steamships removed any further difficulty; though in practice the powers conferred on a railway company in respect to steamships relate only to such ports in the United Kingdom as those to which the company's own lines are laid; and even then those lines should run alongside the landing-stage of the steamers, the theory of through land and sea transport, with a single transhipment under the control of one and the same company, being thus maintained.

To-day most of the cross-Channel steamship services in the case both of the Continent and of Ireland are owned by British railway companies, and much of their development, in catering for the patronage of the public, has been directly due to the competition between the different companies in seeking to foster the particular route or routes in which those companies are interested. To

these conditions may be attributed the existence of so many routes as are now available. If our railways had been owned by the State from the first, and the element of competition had thus been non-existent, several, at least, of the routes which have been brought into vogue through the enterprise and the competition of the railway companies would not have been opened at all.

Assuming that the State did now acquire the railways, under the proposed scheme of railway nationalisation, it would be obliged to take over the companies' steamship services as well, and operate them in direct connection with the nationalised railways in the same way as these services are being worked in conjunction with the companies' lines to-day. For the State to work the railways and to allow new companies to be formed to work the cross-Channel steamers would be little more than a reversion to conditions which seventy years ago were found to be impracticable.

The example of the Belgian Government, who operate alike the State railways of that country and the Ostend-Dover service of steamers, might well be regarded as a precedent for the British Government to follow; yet while (apart from any question of finance) the course adopted in Belgium is a logical

one, and consistent with efficient transport conditions, the position in this country would be much more complicated. The Belgian Government have only the one service of cross-Channel steamers; whereas if our own Government adopted railway nationalisation, they would find themselves responsible for a dozen or so of Continental services.

Would they keep on the whole of them when they had no more interest in one route than another, or would they, in order to effect those economies from which so much is expected, discontinue some of them, and leave travellers to go by the route or routes which best suited the State Railway Administration's arrangements? Would they, especially, continue to offer direct encouragement to the Dover-Ostend service of the Belgian Government or to the Flushing service of the Dutch Zeeland Company when these were found to be directly competing with the British Government's own steamers?

Under existing conditions every facility in the working of the two routes just mentioned is offered on this side by the South Eastern and Chatham Railway Company, the competition, in these instances, being with the Great Eastern Railway Company's Harwich services rather than with the South Eastern and Chatham's Dover-Calais and Folkstone-Boulogne services. In point of fact, the South

Eastern and Chatham get traffic between London and Dover, or between London and Queensborough or Folkstone, which would otherwise probably go between London and Harwich, and they gain accordingly. But when the State controlled all the railways, and all the steamship services of the existing railway companies, it would not be concerned in the particular route by which a traveller reached the coast, though it would have a direct interest in fostering the State steamship routes in preference to those of competitive routes under Continental control. The British Government, as owners of various cross-Channel routes, would, in fact, be in keen competition with the Belgian Government owning another route, and with a Dutch company owning still another. In these circumstances there would be at least the possibility of international differences of a particularly undignified type.

Docks and Harbours.—Supplementary to the need for railway companies to have their own steamships came the need for the provision of efficient docks and harbours both for the accommodation of these steamships and for the better carrying on of that trade and commerce in which, even from the point of view of rail transport only, the companies were so greatly interested. Here again it became necessary for them to take matters to

a very considerable extent into their own hands.

Many of the docks and harbours were in a hopelessly defective or inadequate condition until the railway companies began to improve or to extend them, in order to adapt them to modern requirements. In various instances there was neither public authority nor private company—apart from some railway company—willing to do the work; though this was not surprising, considering the magnitude of the outlay that might be involved. In the case, for example, of the Southampton Docks, the expenditure incurred by the London and South Western Railway Company amounts to, approximately, £5,000,000.

Altogether there are now no fewer than seventy-two docks, harbours, piers, wharves, and quays which are owned, leased, worked, or controlled by railway companies in the United Kingdom. The full list was handed to the Departmental Committee on Railway Agreements and Amalgamations by Mr A. Beasley, general manager of the Taff Vale Railway Company, in June, 1910. Among the places on the list are—Barrow-in-Furness, Barry, Cardiff, Ellesmere, Felixtowe (dock), Fishguard, Folkestone, Fowey, Garston (docks), Grangemouth, Greenore, Grimsby, Harwich (Parkeston), Heysham, Holyhead (inner part of old harbour), Hull, Immingham,

King's Lynn, Lowestoft, Middlesborough, Newcastle-on-Tyne (Tyne Dock), Newport (Monmouth), Newhaven, Newquay (Cornwall), Penarth (dock and harbour), Plymouth (Millbay), Rosslare Harbour, Stranraer, Southampton, Sunderland (North Dock), and Whitstable.

The sum total of the amount which the railway companies have expended on these various undertakings could hardly be estimated, but it must be prodigious. As for the advantages that such expenditure has conferred on the country, by offering increased facilities for trade and commerce, they must be no less incalculable.

But would the State, in acquiring the railways, also acquire the interests of the railway companies in all these different docks and harbours? Presumably it would be obliged so to do, in the case of most of them, if it wanted to operate properly the railways as now constituted, since in many instances, and even allowing for those which could be dispensed with, the docks or harbours form an integral and indispensable part of a particular company's railway system, are essential to the handling of much of the company's traffic, and might even have no *raison d'être* at all if it were not for the railway lines. For the State to own the railways and leave such docks and harbours as these to be operated

by companies dependent for their earnings on what they could make out of the rail traffic would be wholly impracticable.

So we must assume that, in nationalising the railways, the State would also have to take over the docks, harbours, piers, wharves, and quays directly concerned in their operation. These would then become 'national' docks, harbours, etc., and the State would be specially interested in maintaining or developing them in order to ensure the success of its railways and of the whole nationalisation scheme.

Here there arise two further considerations which must not be ignored.

(1) Certain of the said docks and harbours have been constructed, enlarged, or improved in order to confer traffic advantages on particular railway companies in their competition with other companies. So long as the railways of the United Kingdom are owned by different companies, and so long therefore as competition for traffic exists, the different docks and harbours, and the different steamship services that are run from them, may justify their separate existence. But a State Railway Administration having a monopoly of the railways of the country, and no more interested in one port than another, might, for example, decline to keep Holyhead, Fishguard, and Heysham all in operation for the cross-Channel traffic to and from Ireland, and

decide that travellers must adopt the route which would best suit the purposes of the State Railways.

It is conceivable that, under a system of State Railways from the outset in this country, the harbours at Fishguard and Heysham, created by the Great Western and the Midland Railway Companies respectively, would never have come into existence at all. The State Railway authorities, knowing nothing about competing lines, would probably have provided one route to Ireland and left every one to go by that. There might then have been more 'economies' in railway operation, but the public would not have had the further facilities for travel which they have not been slow to appreciate. Like conditions arise in regard to various of the ports connecting with the Continent.

The question that would remain to be solved is whether, when the incentive of competition no longer existed, the State would, or would not, attempt to economise by discontinuing some of these routes and diminishing travel facilities accordingly. This much, at least, is certain: that the railway docks and harbours form an essential part of a going concern, and would have to be bought and paid for as part of the property purchased, whatever the State might decide to do in regard to them afterwards.

(2) When the State had acquired the docks and harbours now owned or controlled by the railway companies, there would still remain others—such as those of London, Liverpool, and Manchester—in the hands of public trusts or otherwise; and although railway competition would be at an end, so that it would not matter to a monopolistic State Railway Administration by which route commodities travelled to or from the coast, there would still be competition as between the 'national' and the non-national ports. This being so, one may fairly assume that the officials concerned in the success of the State railway scheme would show such preferential treatment as they could towards the particular ports which had been included in the purchase price of the railways. The non-national ports would then be placed at a disadvantage, and this could only be effectually overcome by the State once more accepting the logical consequence of its own action and nationalising—in addition to the railways—all the docks, harbours, piers, wharves, and quays which are in any way concerned in rail transport, and whether owned or controlled by railway companies or not.

It is no less obvious that the State purchase of British railways having all these subsidiary interests in steamship services, docks, and harbours would be a much more

complicated and costly proposition than that put forward by Bismarck when he proposed the nationalisation of the Prussian State railways, constructed and worked under totally different geographical and economic conditions, and in regard to which the particular considerations here in question did not arise.

RAILWAY HOTELS.—We come next to the question of railway hotels.

The origin of railway companies' hotels at their termini in London or other great cities is to be sought, not in any desire simply to get profits supplementary to those obtained from actual transportation, but in a desire to provide for what was, at the time, a real want in the way of accommodation for railway travellers. The companies, in fact, provided hotels at their large stations just as they provided new docks at the ports—as an encouragement to traffic; and it was to the gain on the traffic thus encouraged and facilitated they mainly looked for return on the capital expenditure involved.

Another class of railway hotel is to be found in country districts or at holiday resorts where a railway company has provided the accommodation for tourists or visitors that otherwise might be either entirely lacking or quite inadequate; the motive once more being the encouragement of traffic rather than a direct profit on the hotel business itself.

It is conceivable that a State Railway Administration concerned only in purely transport questions would not have troubled to provide hotels at all, and would have left railway travellers to their own resources in the matter of sleeping and creature comforts. One must, however, recognise the fact that these railway hotels do now exist, that they are part of the property which would have to be included in the deal when the railways were acquired, that the successful management of many of them is directly dependent on railway operation, and that once more the question would arise as to what the State would do with them when it had got them.

Locomotive, Carriage, and Wagon Works.—Lastly, in this connection, we come to the future of railway locomotive, carriage, and wagon works.

While the smaller railway companies in the United Kingdom may be satisfied to purchase most of their requirements, the larger companies aim at making or providing everything for themselves, as far as possible. This line of policy has led to their assuming the rôle of manufacturers, of a 'universal provider' type even though supplying only their own needs. To such an extent has this policy been carried that the 'Census of Production' Returns show that the 'values'

of the work done in railway companies' workshops on the construction, manufacture, or repair of rolling stock, etc., during the year 1907, included the following among other items :—Engines, tools, etc., £7,917,000; carriages, £4,454,000; wagons, £3,700,000; road vehicles, £272,000; tarpaulins, wagon covers, etc., £345,000; hoists and cranes, £303,000; telegraphs and telephones, £481,000; and iron and steel manufactures, £178,000.

This great output has been provided for by the setting up by the railway companies of locomotive, carriage, and wagon works where the number of persons employed in a wide range of occupations is, in some instances, so large as to have led to the creation of 'railway towns.' Thus the Great Western Railway Company employ 11,700 artisans, labourers, and others at Swindon; the London and North Western, 9000 at Crewe, 4000 at Wolverton, and 1800 at Earlstown; the Midland, over 8000 at Derby; the Great Northern, 6000 at Doncaster; the North Eastern, nearly 4000 at Gateshead and Darlington, 3000 at York and Heaton, and over 1000 at Shildon; the Lancashire and Yorkshire, 3850 at Horwich and nearly 2000 at Newton Heath; the Great Eastern, 4600 at Stratford, E.; the London and South Western, 3600 at Eastleigh; the Great Central, 2500 at Gorton; the London, Brighton, and

South Coast, 2000 at Brighton; the Caledonian, 2700 at St Rollox, Glasgow; and the North British, 2300 at Cowlairs, Glasgow.

When the State acquired the railways as a going concern it would necessarily have to take over most of the locomotive, carriage, and wagon works which have thus grown up with the railways, and form both an important item in the list of railway properties and an integral part of railway operation. Some of them might be dispensed with, under a system of greater concentration; though it is possible that when each of the works retained had become a State establishment, and was conducted by State officials, with the inevitable red-tape and routine, the net saving would be of no material consequence, even if it amounted to anything at all. Whatever the economies effected or not effected, the State would remain a great employer of artisan labour in respect to these works, apart altogether from the number of ordinary 'railway servants' concerned in the construction of lines and the running of trains. The State would, in fact, be the employer of practically the entire community in Swindon, Crewe, and other of the 'railway towns'; it would have to take all the risks of friction with a wide range of labour unions, and there would, besides, be the possibilities of those grave political complications to which reference has already been made.

CHAPTER IX

COMPETING TRANSPORT SERVICES

Among the other problems to which the question of railway nationalisation gives rise is that of the attitude a Government controlling railways acquired by the State would or should adopt towards other transport services or interests competing directly with them, and diverting from the railways a considerable amount of traffic.

Coasting Steamers.—This consideration more especially arises in connection with coasting steamship services.

Not only is sea transport naturally cheaper than rail transport, because of the great difference in capital outlay and working expenses, but sea competition, in the form of coasting-steamship services, is felt with especial severity by British railway companies for two reasons—(1) because of the large number of ports around our coasts, and (2) because the steamship companies seek to carry traffic, not only from one port to another, but from one inland town to another on through rates for combined land and sea transport, they themselves settling with the railways for the land journey or journeys,

and retaining the balance of the rate for the longer sea journey. Such through rates, in respect to places situated at distances of up to forty or fifty miles from a port, are generally below what the all-rail rate would be, and the carriage of consignments for traders, under these conditions, is to-day an important phase of a coasting-steamship company's activities. One typical company, for instance, announces that 'the goods services of the company extend far beyond the immediate ports at which their vessels ply,' and that 'an extensive list of through rates for goods is in operation from interior Scotch towns to interior English towns, and vice versa.'

When the traffic is of a more or less urgent character, or when various other considerations arise, it still goes all the way by train; but when there is no urgency the saving on the combined rail and sea rate may well lead to the coasting-steamship companies capturing the traffic, and leaving the railway companies with a short haul in place of a long one, or it may be with no haul of any kind when the commodities are taken to or from the port by motor vans.

Not only do the railway companies lose a great deal of traffic, as the result of this active competition of the coasting-steamship companies, but a considerable proportion of

the rates they charge for the traffic they do retain as between the places that here come into question have to be kept at the lowest possible figure, for the simple reason that if the rates were materially higher the traffic would go in still greater volume by sea.

In some circumstances it may suit Company A to carry goods forty or fifty miles to a port rather than take them ten or twenty and then hand them over to Company B, for conveyance from, say, the South of England to Scotland. Here Company A gains, and Company B loses; but a State Railway Administration controlling the entire system would have no reason to facilitate the short haul to the port since, by doing so, it would lose the long haul to destination.

Sea Competition with State Railways.—So the problem arises as to what would be the attitude of the State towards the coasting-steamship companies in the event of the railways of the country being nationalised.

Would the State Railway Administration, or would a Chancellor of the Exchequer looking to the State railways as a source of revenue, remain unconcerned when sea competition was found to be diverting more and more business from the railways, and reducing to scarcely remunerative proportions a good deal of the traffic the railways still carried? Might it not rather happen that the

Government of the day would seek to 'protect' or 'foster' the State enterprise against rivals and competitors coming under the category of private enterprise? The Government would certainly have the power so to do; and the inducement to use that power might well prove irresistible—especially if the nationalised railways were still expected to yield sufficient to allow of higher wages, lower rates and fares, and a substantial contribution to the national revenue after payment of interest and all standing charges.

What course the State would be likely to adopt in these circumstances is a matter one cannot attempt to determine; but the experiences of traders in Westphalia and Rhineland in their relations with the Prussian State Railways in this connection are not without significance.

Water Competition in Prussia.—Traders in the districts in question often find it more to their advantage to send export goods down the Rhine for shipment from Rotterdam than to consign them, via the State Railway lines, from Hamburg or Bremen; and Prussian State policy has long been directed to diverting this traffic from a foreign port and retaining it either for a German waterway and a German port or for German railways and a German port.

It was mainly to assist in the achievement of the former purpose that the Dortmund-Ems Canal was constructed; but that waterway has had no appreciable effect on the immense stream of traffic that still passes along the Rhine between Germany and Holland.

The fostering of the railway interests has been more effective. The Prussian State Railway Administration give very low export rates from Westphalia and Rhineland to Hamburg and Bremen in the hope (1) of getting a long haul for the State Railways, and (2) of ensuring a greater amount of business to German ports. But when German traders sought to obtain special facilities for consignments sent to the Rhine, or to secure combined rail and river rates, they failed to do so in the case of places along the river where it was not in the interests of the State Railway to make any concession in this direction. The traders have strongly protested, one Statement they have issued, setting out their grievances in respect to 'the differential treatment of the German Rhine ports, as compared with North Sea ports, in the goods tariff of the Prussian State railways,' extending to twenty-four closely printed foolscap pages.

In Prussia, the competition the State railways meet with from the River Rhine is less

serious than that which British railways experience from the shipping services to or from ports all round our coasts; and if, in Prussia, it should have been thought expedient to put the interests of the State Railways before those of the traders in respect to river competition, it might, under a system of railway nationalisation here, be found no less necessary that a State Railways Administration should take measures with a view to checking sea competition.

STATE COMPETITION WITH PRIVATE TRADERS.—This would mean that the State, carrying on one form of enterprise in the department of transport, would use its powers and its control of public funds to gain an advantage over subjects of the State who were carrying on another and a competitive branch of transport with their own resources.

The really logical sequel to nationalisation of the railways would be nationalisation of the coasting-steamship services also. In no other way could the anomalies resulting from the operation of the former by the State and that of the latter by companies be adequately met; though, of course, the buying up of the coasting services and the operation of them as a further Government monopoly could not possibly be brought within the range of practical politics.

Tramways.—Again, what would be the policy of the State, after acquiring the railways at a prodigious cost, towards the tramway systems which have likewise competed keenly with the railways and deprived them of much of their suburban traffic, so that certain railway stations in London have had to be closed altogether? In this case, would the State and the companies or the municipalities owning tramways actively compete with one another for the transport of the suburban resident at wholly unremunerative fares? Would the State be willing to contribute through the local rates—as the railway companies have had to do—towards the cost of the municipal tramways which would be no less the rivals of State-owned than they are to-day of the company-owned railways?

Should the State, under these conditions, again seek to reduce things to uniformity by nationalising the already municipalised, as well as the still privately-owned, tramways?

Motor Omnibuses.—As for the motor omnibuses, these are not only competing alike with the railways and the tramways, but are even threatening the latter with extinction. Should the State take them over, in addition,

and, as owner of a nationalised motor omnibus system, compete with itself as owner both of nationalised tramways and nationalised railways? If, alternatively, no more than the railways were acquired, would the Government of the day, anxious for the financial success of their deal, seek to put any drag on the enterprise not only of the coasting-steamship companies and of the tramway-owning municipalities, but of the motor omnibus companies as well, or would the State be willing to go on competing with them in just the same way as the railway companies themselves are doing?

Commercial Motors.—Commercial motors constitute another important factor in the situation. For the purposes of distributing and collecting goods within a radius of at least thirty miles of London and other large cities they are coming into steadily increasing use, doing a vast amount of the suburban work for which, only a decade or so ago, the traders relied mainly on the railways.

It is true that the possibilities of motor vans and lorries are greatly exaggerated, since wherever commodities are to be conveyed at express speed or in bulk for long distances the locomotive is a more efficient and a more economical unit than the commercial motor,

whatever the advantage of the latter in respect to a parcels traffic within the radius already mentioned. It may even happen, as the experience of Brandsby, Yorkshire, shows, that the starting of a motor service to operate in connection with an ordinary main line railway will develop traffic to such an extent that the motors are unable to deal with it and a light railway becomes necessary. It is equally true that railway companies have themselves established motor services as 'feeders' to their lines.

After allowing, however, for these considerations, the fact remains that self-propelled vehicles have, speaking generally, introduced a further strong competition with railways. So long as the latter are owned by companies, this competition will proceed on more or less commercial lines, and the railway companies must be prepared to run the ordinary risks of those who engage in commercial enterprises; but what would be the position if the State, as owner of the railways, and desirous of seeing them yield satisfactory financial results, had to meet a still more active competition from road motors than that which already faces the railway companies?

There could be no suggestion of the State acquiring all the commercial motor vehicles in the country; but it would, at least, be

within the power of the Government to impose heavier taxation upon them—ostensibly in the interests of revenue or for the purpose of making them contribute more for the improvement and upkeep of the roads, yet not, perhaps, without the suspicion of a desire to check somewhat their active competition with the State-owned railways. In any case a Government controlling and seeking revenue from the railways as one branch only of the various transport services would no longer occupy its present position of impartiality when it attempted to impose restrictions or heavier financial burdens on the other branches thereof. It would, in fact, be in the position of a judge deciding a case in which he was himself an interested party.

CANALS.—Mention has still to be made of the canals.

Many of these are to-day owned by railway companies who acquired them, in the early days, less with the idea (as many persons suppose) of 'strangling' what had, in the case of most of the waterways, become an inferior form of transport doomed to die a natural death, than of buying off the opposition of still-powerful canal companies, and thus facilitating the attainment of the Parliamentary powers they were seeking for their lines. Transfers of the ownership or control of canals effected under such conditions

as these were invariably coupled with an obligation on the railway company in respect to maintenance, and to this obligation is due the fact that many canals which would otherwise have become derelict are still available for use, even though little or no use is made of them.

The total length of the canals in the United Kingdom now owned or controlled by railway companies is 1360 miles, or not far from one-third of the whole, the canals not owned or controlled by railway companies having a mileage of 8310. In buying up the railways the State would thus be obliged to take over the rights and responsibilities of the companies in respect to at least 1360 miles of canals; and the question would at once arise whether the Government would not be morally obliged to take over the remaining 8300 miles as well. Canals compete with one another just the same as railways do, and canal companies who already can hardly make their undertakings pay would be in a still more unfortunate position if they, also, had to look upon the Government as their trade rivals.

In the circumstances nationalisation of the railways would have to be accompanied, or followed, by nationalisation of the canals. But what would the State do with the canals when it had got them?

Presumably the answer to this question would be that the State would proceed to adopt some such scheme of canal revival as that recommended in 1909 by the Royal Commission on Canals and Waterways. But the scheme of the Royal Commission—the carrying out of which would involve an expenditure variously estimated at from £20,000,000 to £32,000,000—is hopelessly impracticable. It was designed mainly in the interests of traders in the Midland Counties, yet it would leave practically the entire network of the Birmingham Canal Navigation—which forms the centre-point and collecting ground of the four widened and improved canals which are to constitute the so-called 'Cross'—in the same condition as it is in to-day, for the simple and sufficient reason that, not only in Birmingham itself, but for almost the whole of the twelve miles between Birmingham and Wolverhampton, the canal is lined on one side or the other by a succession of warehouses, ironworks, factories, timber yards, and other industrial establishments, the slicing off from which of land to allow of the widening of a canal that already serves local requirements would be prohibitively costly.

Then the fact that the Birmingham Canal is itself on different levels, and, as a whole, is on a higher level than the other canals with

which it is connected, makes it necessary that long-distance traffic, as distinct from local traffic, should pass through flights of locks to the lowest levels of these other canals; and the Commissioners found themselves forced to regard the reconstruction of these flights of locks no less hopeless than any actual widening of the Birmingham Canal itself.

Hence on the Wolverhampton side of the much-talked-of 'Cross' scheme, recommended by the Commission, the suggested improvements do not begin until a point is reached which is situate three miles on the other side of that town, and fifteen miles from the centre of Birmingham. Assuming, therefore, that the projected scheme were carried out, the traffic collected in small boats in the Birmingham and Black Country districts for Worcester, Gloucester, or Bristol in one direction, or Stafford and Liverpool in another, would still require to pass through the 'neck of the bottle,' that is to say, through the flight of narrow locks at Wolverhampton, before the boats reached the point at which the widened waterways would begin and the cargo could be transhipped into larger vessels. The state of congestion and confusion that would needs arise when a greatly increased volume of traffic collected over a wide and busy industrial area was required to pass through a set of canal locks able to take only

one small boat at a time may well be left to the imagination of the reader; though he will probably conclude that the gain from the scheme even by those Midland traders whom it is proposed to benefit, at the risk or expense of the country in general, could not fail to be infinitesimally small.

The main purpose, again, of the scheme of canal revival is that of offering to traders an alternative, at lower rates, to the railways. In other words, canals reconstructed with public money are to compete with railway lines provided by private enterprise. But the State, as an owner of railways, would not want to offer special inducements to the traders to transfer their traffic from the railways to the canals so long as the railways themselves were equal to transport requirements and no necessity arose for the canals to relieve them of traffic which, owing to congestion or otherwise, they could not handle. Granted that at present there is not much actual competition between the canal system as a whole and the railway system as a whole, there would be still less when both were owned by the State; and, in the result, it would be found that the nationalisation of the canals, at least, had done but little for the traders, and had left the Government with the transport equivalent of a white elephant.

'ALL THE MEANS OF DISTRIBUTION.'—It is, of course, in no way possible that the State ever could, or would, actually acquire not only the railways but all these other public services as well. The considerations here offered may, nevertheless, serve to indicate somewhat the complications that would necessarily and inevitably result from the taking over of the railways, and of these alone, by the State. The extreme Socialists who demand that the State should (among other things) acquire and operate 'all the means of distribution' are, in fact, more logical and more consistent than those who seem to think that the State can safely buy up one 'distributing' agency, in the form of railways, and then compete with the private owners of all the other agencies and interests, or, alternatively, face the commercial competition which these in turn would be able to offer to the State railways themselves.

CHAPTER X

SUMMARY AND CONCLUSIONS

THE conclusions to which the facts and considerations here set forth may be regarded as leading are—

1. That the example of other countries which have adopted State ownership and operation of railways under financial, economic, or political conditions wholly different from our own is not necessarily one that we ourselves should follow.

2. That the financial success of State-owned railways abroad is the exception rather than the rule.

3. That the operation of State railways in general shows no marked advantage for the public over the company operation of railways in this country.

4. That nationalisation is mainly desired here by the Labour Party and the railway workers in the interest of class or personal benefits.

5. That no guarantee is afforded of the danger of railway strikes being minimised by railway nationalisation, which would, rather,

lead to a renewal of industrial unrest, since it would excite on the part of the workers exaggerated hopes far beyond the range of possible fulfilment.

6. That State purchase would have a most disturbing influence on national finance, whatever the precise terms on which it was effected.

7. That State operation would give rise to many serious political problems affecting Parliament, the community, and the civil rights of State workers.

8. That the hopes of effecting, through nationalisation, those substantial economies in operation which would allow alike of the higher wages, shorter hours, lower rates, cheaper fares, decreased taxation, and the other advantages desired have little chance of being realised, since against possible savings in some directions would have to be put increased expenditure in others.

9. That any savings which were effected would scarcely suffice to meet the demands even of the railway workers, who appear to assume that their claims would have first consideration.

10. That even if the traders of the country did get any reductions in their rates—whether their interests were put before those of the workers or took the second place—they might have to lose various facilities, or submit to various disadvantages, on the passing of the

railways from company to State management, any net benefit to themselves being extremely problematical.

11. That the people in general would be in no way better off in regard to transport facilities than they are at present, but would have to run the risks of a decrease in those facilities, a lowering of the present standard of railway efficiency, and an increase in taxation to make good any losses that might result from operation by the State under its obligation to pay interest whether profits were made or not.

12. That the existing system in this country of private enterprise in railway construction and operation, supplemented by State control and supervision, has led to results so far satisfactory that it would be inexpedient and ill-advised to resort to the costly, uncertain, and most complicated experiment of railway nationalisation for the sake of problematical economies and advantages much more likely to be attained by affording to the companies themselves greater encouragement, or greater facilities, in carrying out still further their policy both of amalgamations and agreements and of improvements in working.

APPENDIX A

THE RAILWAYS OF THE WORLD

THE following, from *The Times* of October 1, 1912, are the tables concerning the relative proportions of State and company owned railways throughout the world referred to on pp. 11–12, allowance being made for an error which appeared in the figures as originally published in the *Archiv für Eisenbahnwesen* in describing the railways of Rhodesia as State-owned; while for the purposes of reproduction from the German source, the kilometres were converted into miles and columns giving the respective percentages were added :—

COUNTRY.	OWNED BY		TOTAL	PERCENTAGE	
	State	Companies		State owned	Company-owned
I. EUROPE.	Miles	Miles	Miles		
Germany . .	34,604	3,369	37,973	91·1	8·9
Austria-Hungary	22,034	5,520	27,554	80·0	20·0
United Kingdom	—	23,387	23,387	—	100·0
France . .	5,509	25,159	30,668	18·0	82·0
Russia in Europe .	21,646	15,365	37,011	58·5	41·5
Italy . . .	8,825	1,613	10,438	84·6	15·4

Country.	Owned by		Total	Percentage	
	State	Companies		State-owned	Company-owned
	Miles	Miles	Miles		
Belgium	2,684	2,600	5,284	50·8	49·2
Luxemburg	118	199	317	37·2	62·8
Holland	1,063	920	1,983	53·6	46·4
Switzerland	1,701	1,218	2,919	58·3	41·7
Spain	—	9,311	9,311	—	100·0
Portugal	671	1,135	1,806	37·2	62·8
Denmark	1,216	973	2,189	55·6	44·4
Norway	1,555	365	1,920	81·0	19·0
Sweden	2,715	5,968	8,683	31·3	68·7
Servia	356	138	494	72·1	27·9
Roumania	1,979	258	2,237	88·5	11·5
Greece	—	981	981	—	100·0
Bulgaria	987	119	1,106	89·2	10·8
Turkey (Europe)	—	966	966	—	100·0
Malta, Jersey, I. of Man	—	68	68	—	100·0
Total for Europe	107,663	99,632	207,295	51·9	48·1
II. America.					
Canada	1,717	22,994	24,711	6·9	93·1
United States	—	241,056	241,056	—	100·0
Newfoundland	—	666	666	—	100·0
Mexico	—	15,251	15,251	—	100·0
Central America	—	1,598	1,598	—	100·0
Greater Antilles	42	2,989	3,031	1·4	98·6
Lesser Antilles	—	335	335	—	100·0
Colombia	—	510	510	—	100·0
Venezuela	—	633	633	—	100·0
British Guiana	—	102	102	—	100·0
Dutch Guiana	—	37	37	—	100·0
Ecuador	—	333	333	—	100·0
Peru	843	740	1,583	53·3	46·7
Bolivia	—	756	756	—	100·0

Country.	Owned by		Total	Percentage	
	State	Companies		State-owned	Company-owned
	Miles	Miles	Miles		
Brazil	5,440	7,831	13,271	41·0	59·0
Paraguay	—	157	157	—	100·0
Uruguay	—	1,546	1,546	—	100·0
Chile	1,681	1,843	3,524	47·7	52·3
Argentina	2,467	15,316	17,783	13·9	86·1
Total for America	12,190	314,693	326,883	3·7	96·3
III. Asia.					
Central Russia in Asia	6,177	4,022	4,063	57·2	42·8
Siberia and Manchuria			6,736		
China	—	5,418	5,418	—	100·0
Japan, including Korea	4,539	1,551	6,090	74·5	25·5
British India	24,445	7,627	32,072	76·2	23·8
Ceylon	—	577	577	—	100·0
Persia	—	84	84	—	100·0
Asia Minor, etc.	912	2,216	3,128	29·2	70·8
Portuguese Indies	—	51	51	—	100·0
Malay Archipelago	—	757	757	—	100·0
Dutch Indies	—	1,551	1,551	—	100·0
Siam	637	—	637	100·0	—
Cochin-China, etc.	—	2,177	2,177	—	100·0
Total for Asia	36,710	26,581	63,291	58·0	42·0
IV. Africa.					
Egypt	2,791	881	3,672	76·1	23·9
Algiers and Tunis	—	3,134	3,134	—	100·0
Belgian Congo	—	516	516	—	100·0
S. African Union:					
Cape Colony	3,316	454	3,770	87·9	12·1
Natal	1,093	—	1,093	100·0	—
Central S. Africa	2,589	—	2,589	100·0	—

Country.	Owned by		Total	Percentage	
	State	Companies		State-owned	Company-owned
Rhodesian Railways . .	Miles (?) 2,190	Miles —	Miles 2,190	100·0	—
Colonies :					
German :					
GermanE.Africa	446	—	446	100·0	—
„ S.W. Africa	992	—	992	100·0	—
Togo . .	185	—	185	100·0	—
Cameroons .	66	—	66	100·0	—
English . .	—	1,806	1,806	—	100·0
French . .	—	1,359	1,359	—	100·0
Italian . .	—	71	71	—	100·0
Portuguese . .	—	1,001	1,001	—	100·0
Total for Africa .	13,668	9,222	22,890	59·7	40·3
V. Australasia					
New Zealand .	2,715	30	2,745	98·9	1·1
Victoria . .	3,488	14	3,502	99·6	0·4
New South Wales	3,640	142	3,782	96·2	3·8
South Australia .	1,912	170	2,082	91·8	8·2
Queensland . .	3,659	351	4,010	91·3	8·7
Tasmania . .	469	164	633	74·1	25·9
West Australia .	2,144	276	2,420	88·6	11·4
Hawaii, etc. .	—	88	88	—	100·0
Total for Australasia	18,027	1,235	19,262	93·6	6·4
Summary.					
I. Europe . .	107,663	99,632	207,295	51·9	48·1
II. America .	12,190	314,693	326,883	3·7	96·3
III. Asia . .	36,710	26,581	63,291	58·0	42·0
IV. Africa . .	13,668	9,222	22,890	59·7	40·3
V. Australasia .	18,027	1,235	19,262	93·6	6·4
Total for the World . .	*188,258	†451,363	639,621	‡29·4	§70·6

* Deducting Rhodesian lines, 186,068. † Adding Rhodesian lines, 453,553. ‡ Deducting Rhodesian lines, 29·1. § Adding Rhodesian lines, 70·9.

APPENDIX B

PRIVATE OWNERS' WAGONS

INCIDENTAL reference has already been made, on page 213, to the question of private owners' wagons. It might further be mentioned that in 1911 (as reported in the Board of Trade Railway Returns for that year) the total number of wagons of all kinds used for the conveyance of live stock, minerals, or general merchandise, and owned by the railway companies of the United Kingdom, was 746,194 (viz., England and Wales, 583,198; Scotland, 141,715; Ireland, 21,281); whereas the estimated number of privately-owned railway vehicles—the large majority of which are coal wagons—is between 500,000 and 600,000. These latter figures were given by Mr G. C. Locket, deputy-chairman of the Association of Private Owners of Railway Stock, in the case of Spillers and Bakers v. Great Western Railway, reported in the *Railway Gazette* of July 28, 1909. Allowing

for depreciation, the witness thought their present capital value would be £15,000,000 or £20,000,000. Would the State, if it bought the railways, also buy the privately-owned wagons at any such figure as this, raising the total cost of nationalisation proportionately? If not, what would be the probable nature of its relations with traders, or bodies of traders, themselves owning, approximately, one half of the wagons now running on the lines in Great Britain, at least? In Germany the bulk of the private goods wagons are used in the beer and oil trades, and the State railways make no concessions in rates in regard to them.

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